AID Assistance to Local Government: Experience and Issues

Prepared for the Office of Evaluation, Bureau for Program and Policy Coordination, Agency for International Development.

Jerry M. Silverman, Paul Crawford and George Honadle (DAI), and Gary Hansen (AID/ST/MD) with the assistance of Christine Adamczyk and Terry Grandstaff (AID/PPC/E)

November 1982

PREFACE

This Issues Paper was written in response to a request by the Office of Evaluation, Bureau for Program and Policy Coordination (PPC/E) of the Agency for International Development (AID) to Development Alternatives, Inc. (DAI) under the terms of a Development Administration Indefinite Quantity Contract (IQC).* The paper is a joint effort by staff of both AID and DAI. Jerry M. Silverman (DAI) served as Team Leader and principal investigator. Paul Crawford and George Honadle of DAI and Gary Hansen of AID/ST authored significant portions of the text with Crawford and Honadle producing the final version. In addition, numerous discussions among members of the team -- which included Christine Adamcyzk and Terry Grandstaff of AID/PPC/E -- delineated the structure and content of the paper.

The data base for the study was limited to documents available within AID and DAI plus interviews with AID personnel in the Middle East, Africa, Asia, and Latin America Bureaus, supplemented by the authors' personal field experiences.

Nine weeks was devoted analyzing the data, writing, and producing the initial draft. Following an internal review by AID/PPC/E, an additional two weeks was devoted to completing the final version.

* Contract Number PDC-1406-I-00-1097-00, workorder Number 6

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	1
INTRODUCTION	11
CHAPTER ONE: HISTORICAL BACKGROUND	13
Emphasis on the Public Sector	13
Emphasis on Central Decisionmaking	14
Experience with these Approaches	14
The Focus of Development Assistance	17
CHAPTER TWO: AID'S LOCAL GOVERNMENT PORTFOLIO	19
The Study Sample	23
CHAPTER THREE: ISSUES AND FINDINGS	27
Issue A: On Local Autonomy	27
Issue B: Local Government and the Private Sector . .	31
Issue C: Bottomless Pit or Important Piece of the Puzzle	38
CONCLUSIONS	47

ANNEX A: PROJECTS IN AID'S LOCAL GOVERNMENT PORTFOLIO A-1

ANNEX B: IMPLEMENTATION ISSUES IN LOCAL GOVERNMENT PROJECTS B-1

Issue B-1: Whether Local Governments in Developing Countries Adequately Represent Broad Community Interests
Issue B-2: Beneficiary Participation in Local Government Projects
Issue B-3: The Tradeoff Between Efficient Resource Use and Equity in Local Government Projects
Issue B-4: The Tradeoff Between Capacity Building and Production Objectives in Local Government Projects
Issue B-5: Training and Technical Assistance Approaches for Local Government Projects
Issue B-6: The Adequacy of Implementation Time Frames for Local Government Projects
Issue B-7: Generating Resources for Local Government
Issue B-8: Sustaining the Benefits of Local Government Projects

ANNEX C: QUESTIONS FOR ASSESSMENT AND DESIGN OF LOCAL GOVERNMENT PROJECTS C-1

ANNEX D: FUNCTIONAL APPROACHES AND INSTITUTIONAL CHOICES D-1

ANNEX E: BIBLIOGRAPHY OF PROJECT DOCUMENTS E-1

LIST OF TABLES

Number	Title	Page
1	Changes in AID Investment in Local Government Projects	20
2	Level of Intervention	22
3	Changes in Level of Intervention	22
4	Type of Assistance Given to Local Governments, by Region	24
5	Change in Type of Technical Assistance Over Time	24
6	Study Sample: Local Government Projects	25
7	Projects by Spectrum of Development Function	34
8	Local Government Project Support to Private Sector	36
9	Reliance on Local Government: Advantages and Disadvantages	41

EXECUTIVE SUMMARY

This report addresses three key questions:

- Have local government projects enhanced local autonomy or served only to reinforce the control of the national government in rural areas?
- Has strengthening local public institutions furthered overall development or merely displaced the private sector?
- Is support to local government a waste of AID resources, or is it an important means of achieving local development?

To address these issues, the authors reviewed AID's documentation of local government projects to trace the evolution of development strategies and parallel changes in AID's portfolio. The purpose is to clarify the issues, examine the experience, and suggest lines of inquiry and action to improve AID's ability to help developing countries help themselves.

HISTORICAL BACKDROP

Two important factors have affected the level of assistance to local governments. The first has been the emphasis placed on the public, as opposed to the private, sector as a vehicle for social change. The second has been the emphasis placed on centralized planning and decision making in developing countries.

The history of many developing countries has involved extended armed revolutions against colonial powers. New governments were extensions of the revolutionary political movements that had seized power. Prior to independence, the

legitimacy of a movement's leadership was often based on no more common agreement among its supporters than the expulsion of the colonial power. In many such countries, there existed an expectation on the part of the new leaders that gaining control over domestic resources would -- in and of itself -- be sufficient to achieve social and economic development objectives. The only way political leaders could achieve this objective was through greatly increased public sector investment and control of economic policies.

This focus on public, rather than private, sector initiatives to carry out development tasks was accompanied by a centralized approach to development planning. This approach resulted from a belief on the part of development practitioners that comprehensive national planning was needed to mobilize a country's resources most efficiently. Experience with the centrally planned economic approach to development, however, was to prove disappointing. Although it was successful in creating the infrastructure necessary for further development, the expected improvements in general welfare often did not occur.

When it became apparent that the reliance on centralized public planning and implementation was not working, attempts were made to devolve these functions directly to the beneficiaries. It was soon realized, however, that a focus solely on the beneficiaries would not work either. The gains made from this approach disappeared too soon once outside support ended. As a consequence, the emphasis of donors such as AID shifted to decentralization and the strengthening of intermediary institutions necessary to link beneficiaries with needed external resources and provide a more permanent structure upon which to base future development iniatives. Local governments, finally, began to play a more significant role in development.

AID'S LOCAL GOVERNMENT PORTFOLIO

Although financial assistance to strengthen local government represents only a small proportion of total AID assistance, the absolute level of such assistance has been increasing in recent years.

Sixty-three AID local government projects were identified during the preparation of this report. Of these projects, 6 were from the Near East Bureau, 22 from the Asia Bureau, 25 from the Bureau for Latin America and the Caribbean, and 10 from the Africa Bureau.

Twelve of the 63 projects were begun prior to 1970, and nine were initiated between 1970 and 1974. Another 24 were begun between 1975 and 1979, and 18 have been initiated since 1979. Table 1 distributes these projects by bureau over time, in terms of the number of projects and scale of investments. Although the figures for level of investment are only estimates, it is apparent that there has been a sizable increase in AID funds going to local government projects. That increase, however, has been concentrated in the Near East and Asia bureaus, primarily in three countries: Egypt, the Philippines, and Indonesia.

Capacity building was identified as a primary objective in 48 (76 percent) of the local government projects. In the remaining 15 projects (24 percent), the primary objective was usually the construction of infrastructure and housing or provision of public services. Three were regional development projects with multiple objectives.

A large majority of the projects in the Bureau for Latin America and the Caribbean have provided assistance to national-level institutions, which in turn have assisted local governments.

Table 1: Changes in AID Investment in Local Government Projects*

Period	Total Number of Projects	Total Amount (000)	Near East Number of Projects	Near East Amount (000)	Asia Number of Projects	Asia Amount (000)	Latin America Number of Projects	Latin America Amount (000)	Africa Number of Projects	Africa Amount (000)
pre 1970	12	30,887	0	0	4	69,575	7	21,600	1	3,333
1970-1974	9	73,739	0	0	1	5,851	8	67,888	0	0
1975-1979	24	199,001	1	26,200	9	101,636	7	37,060	7	33,855
post 1979	18	375,211	5	160,000	8	200,337	3	8,500	2	6,374
TOTAL	63	742,459	6	186,200	22	377,399	26	135,048	10	43,562

* Figures taken from AID's DIS system records. This data base does not contain projects which were completed prior to 1974. Consequently, the level of AID support to local governments prior to 1970 is probably underestimated.

Source: Constructed by the authors based on data in Annex A, Table 1.

In contrast, the Near East and Asia bureaus' portfolios have emphasized more direct assistance to regional and local level government institutions.

As shown in Table 2, the proportion of projects aimed at strengthening national government agencies has been declining over time. Direct assistance to regional and/or local levels, in comparison, has been increasing.

Both direct and indirect training was provided to local governments by 42 projects (67 percent). Technical assistance was provided to local governments by 33 projects (52 percent), and financial assistance by 40 projects. Table 3 shows that the proportion of projects providing training or technical assistance has remained about the same, whereas the percentage of projects providing financial assistance to subnational units has increased.

ISSUES AND FINDINGS

This report addresses three major issues raised by the use of local governments to promote development. Summaries of each of these issues and the pertinent findings of the document review are presented below. The main report also includes a discussion of the experience on which the findings are based.

Issue A:

> Have local government projects enhanced local autonomy or served only to reinforce the control of the national government in rural areas?

Table 2: Changes in Level of Intervention*

Period	Assistance at National Level	Assistance at Regional and/or Local Level
pre 1970	75.0%	58.4%
1970-1974	77.8%	55.5%
1975-1979	41.7%	79.2%
post 1979	38.8%	83.2%

* Percentage of the local government projects initiated in that time period that provided assistance to that level. Since projects often provide assistance to more than one level, these percentages will not add up to 100 percent.

Source: Constructed by the authors.

Table 3: Changes in Type of Technical Assistance*

	Training of Trainers or Strengthening of Training Inst.	Provision of Training	Provision of Technical Assistance	Provision of Financial Assistance
pre 1970	41.7%	66.7%	41.7%	41.7%
1970-1974	55.5%	77.8%	22.2%	77.8%
1975-1979	16.7%	62.5%	62.5%	58.3%
post 1979	16.7%	66.7%	50.0%	77.8%

* Percentage of total number of projects in the AID portfolio during the time period providing that type of assistance. Since projects may provide more than one type of assistance, these percentages will not add up to 100 percent.

Source: Constructed by the authors.

Findings

- The role of local government projects in raising local autonomy is mixed.
- This mixed record is a function of central government commitment, pre-existing local capacity, and the stage of decentralization.
- The paradox of strengthening local government is that it is a national government initiative that may need to increase national strength in the short run if the long-run objective of local autonomy is to be achieved.

Issue B:

Has strengthening local public institutions furthered overall development or merely displaced the private sector?

Findings

- Although examples of displacement may exist, local government projects are generally supportive of private sector development in both a direct and an indirect manner.
- AID documentation seldom confronts this issue, and as a result numerous opportunities for more effective programming may be lost.
- AID, as a bilateral agency, is involved in government-to-government relations and thus cannot bypass national governments or public institutions. Nevertheless, it should place a greater emphasis on experimental alternatives.
- The issue is less a need to seek ways to provide direct assistance to the private sector than to understand thoroughly the complex web of local relationships so that effective and efficient vehicles can be chosen as the recipients of development assistance.

Issue C:

Is support to local government a waste of AID resources or is it an important means to achieve local development?

Findings

- Support for local government must be viewed in light of larger development objectives.
- Assistance to local governments should be selective, based on the importance of this element in the local development strategy, local resource endowment, and mission portfolio.
- Ignoring local government may threaten the success of other AID programs, and although capacity building within local governments is no easy task, this key element must be given thorough attention.
- Local government assistance is a legitimate focus for AID.

CONCLUSIONS

Four questions focus the conclusions of this study. Each is posed below and is followed by a summary paragraph containing the main points of the conclusion.

What Does The Review Suggest About AID's Local Government Portfolio?

Although they are still a small amount of AID's portfolio, local government projects are growing in importance. This is partly due to a trend toward decentralization and partly due to

country-specific and mission-specific factors. Although the degree of success varies, many of the problems associated with these efforts arise from causes external to the projects. Moreover, the array of projects shows no consistent focus and no consistent strategy. Instead, the portfolio is a hodgepodge of decentralization, area development, and components of larger projects as well as direct assistance to municipal development banks. In addition, the strategies rely upon local management training, revenue generation, technical studies of financial management, and participant training. The record of these efforts also varies. Thus, AID's local government portfolio is a mixed bag that has produced mixed results.

What Information is Needed to Understand the Role of Local Government?

Formal statements of program objectives are not useful for identifying the actual situations where local government projects are implemented. Informal behind-the-scenes patterns of decision making are more likely to effect program success than the idealized interpretations of local processes that find their way into project documentation. Moreover, the importance of local governments varies from country to country and formal statements of authority do not reveal actual practices and informal differences. Therefore, an assessment of the role of local government in any specific situation must go beyond a document review to uncover informal dynamics.

What is the Appropriate Role of Support To Local Government?

In situations where local governments have a key role in decentralization efforts or where they are important for implementing AID and host government sectoral objectives, they should be considered as potential recipients of development assistance or as mechanisms for program implementation. Their performance, legitimacy, and proximity to the local population all favor their use wherever feasible. Local government support, however, should be viewed as a means to achieve sectoral objectives rather than as a goal in itself. Thus, support should be selective and based upon enhancing AID's country program rather than just promoting local government as a sector or as a component of all country programs.

How Can Support to Local Government Be Improved?

Local government programs require capacity-building targets rather than just production targets. When short-term production goals are used as the basis for evaluations, however, activity is redirected and performance suffers. A number of factors stand in the way of field success. These include AID's present design process, tendency to "blueprint" expectations, use of technical assistance to do a job rather than to help others to do it for themselves, and evaluation focus on physical production. Thus, to improve the quality of AID's support to local government, the agency should re-examine its project development, implementation, and evaluation practices in light of capacity-building objectives.

INTRODUCTION

A decade ago, AID-assisted development efforts concentrated on initiatives generated and implemented by national-level ministries. A recent trend, however, has been to provide more assistance directly to subnational, especially local, units of government. This new emphasis has raised questions about the effectiveness of local and regional entities in managing development. Among the issues raised, three key questions have been identified.

- Have local government projects enhanced local autonomy or served only to reinforce the control of the national government in rural areas?
- Has strengthening local public institutions furthered overall development or merely displaced the private sector?
- Is support to local government a waste of AID resources or is it an important means of achieving local development?

To address these issues, the authors reviewed AID's documentation of local government projects. This report traces both the evolution of development strategies and parallel changes in AID's portfolio. The purpose is to clarify the issues, examine the experience, and suggest lines of inquiry and action to improve AID's ability to help developing countries help themselves.

The main body of this report examines AID's experience with local government projects, focusing on the three questions posed above. A discussion of additional issues, especially those concerned with local government project implementation, is presented in Annex B. Annex C presents lists of questions which should be addressed in project design and evaluation documents in order to assess the appropriate role of local governments in a particular country.

CHAPTER ONE
HISTORICAL BACKGROUND

Assistance to local governments in developing countries must be examined in its historical context. Two important factors have affected the level of assistance to local governments. The first is the emphasis placed on the public, as opposed to the private, sector as a vehicle for social change. The second is the emphasis placed on centralized planning and decision making in developing countries.

Emphasis on the Public Sector

The history of many developing countries has involved periods of struggle against foreign domination. Often, such struggles have involved extended armed revolutions against colonial powers. In many such countries, there existed an expectation on the part of the new leaders that gaining control over domestic resources would -- in and of itself -- be sufficient to achieve social and economic development objectives. The goal was to capture the public sector and expand its role in national development.

The private sector, on the other hand, was often viewed with suspicion. Private sector capitalism was generally associated with the colonial systems and viewed as a method of foreign domination. At the national level, large scale industries were often owned by foreign corporations or parastatals while, at the local level, many commercial activities (credit and trading, for example) were controlled by non-indigenous ethnic minorities (for instance, the Chinese in Southeast Asia and Indians in East Africa). In addition, the private sector was the target of Marxist criticism, an ideological perspective which readily lent itself to the revolutionary objectives of many new Third World leaders.

Eventually indigenous political leaders realized that they could not maintain their legitimacy solely on the basis of their anti-colonial record. Many of these countries were not integrated in any cultural or economic sense, and the political coalitions formed to expel the colonial powers began to break down over the allocation of extremely scarce goods and services. It was soon apparent that a dramatic expansion of resources would be necessary in order to provide the benefits expected from independence to a majority of the population. The only mechanisms available to Third World political leaders for achieving this objective were greatly increased public sector investment and control of economic policies.

Emphasis on Central Decisionmaking

This focus on public, rather than private, sector initiatives to carry out development tasks was accompanied by a centralized approach to development planning. This centralized approach resulted from a belief on the part of development practitioners that comprehensive national planning was needed to mobilize a country's resources most efficiently. In part, this approach was a response to the scarcity of planning and management resources in most developing countries. In addition, the central planning approach was compatible with the socialist ideological bias of many developing countries and with a tendency on the part of development practitioners to seek "easy" technological solutions offering the prospect of rapid development. The general belief was that "how" to do development was known and that, under the supervision of a small number of trained technicians, existing techniques were adequate to achieve development goals quickly.

Experience with these Approaches

Experience with the centrally-planned, public sector approach to development was disappointing. Though it was successful in creating the infrastructure necessary for further development in

many Third World countries, the expected improvements in general welfare did not occur. Indeed, many developing countries experienced dramatic increases in unemployment and poverty. Moreover, the development that was achieved did not provide for greater equity in the distribution of benefits. Instead, the gaps in income levels between the modern and traditional sectors, and between the rich and the poor, widened still further.

The Movement Toward Mixed Economies

As a result of this experience, governments in many developing countries have come to recognize that the public sector cannot do it all. Experience with the development process during more than three decades has begun to change those ideologically based attitudes which automatically viewed the private sector as exploitative.

This trend has been evident, for example, in both Indonesia and Egypt, countries which have historically been antagonistic toward the private sector. In Indonesia's case, the government tended in some cases to bypass the private sector and in other cases to closely regulate it. In recent years, however, the government has instituted new policies to actively encourage the expansion of the private sector; especially at the local level.

Changes in Egypt have been more dramatic. Previous policies were directed toward the suppression of the private sector. Thus, the government, at both national and local levels, was responsible for initiating and managing all production investments. Currently, however, senior-level Egyptian staff, many of whom received their training in centrally planned countries, are advocating a mixed economy approach with substantial divestiture of state enterprises at all levels to private sector investors. That attitude is filtering down to local governments. For example, one district government has decided to sell to local

private investors its majority ownership in a local government owned and managed milk processing plant, because -- in the words of the District Chief -- "The government does not know how to run a milk plant and doesn't need to know how to run a milk plant."

The Movement Toward Decentralization

Equally, there has been, in a number of countries, a trend towards increased decentralization of authority and responsibility. In many developing countries, not only policy decision-making, but also authority over administrative decisions, has been concentrated at the top of the bureaucratic hierarchy. As a result, senior officials have become burdened with an infinite variety of operational details which detract from their capacity to focus on major policy issues. At middle and lower levels of management, on the other hand, personnel are severely limited in the exercise of responsibility and discretionary authority required for effective program performance.

The cost of an overly centralized administrative structure can be very high. Time consuming delays in securing approvals from higher levels undermine project scheduling. In the absence of delegated authority, local officials are unable to tailor programs to meet local circumstances. Finally, with little control over the implementation process, local officials are less inclined to devote much of their time and interest to assuring that programs and projects succeed in achieving development results.

As the economies in many other countries become more complex and the development process begins to accelerate, the transaction costs involved in maintaining a highly centralized administrative system become more burdensome. Consequently, decision makers must increasingly delegate authority to middle and lower levels in the administrative hierarchy. It is precisely this condition which is evolving in some sectors of the Philippine, Thai, Egyptian, and Indonesian economies.

The Focus of Development Assistance

During the 1950's and 1960's, international donor assistance strategies were compatible in most fundamental respects with the orientations of elites in the developing countries. First, the focus of donor investment was almost exclusively on public sector institutions. Grant aid and loans were based on agreements between governments. Direct assistance to the private sector, or through nongovernment channels, was seen as more complicated and often politically sensitive. Further, the weakness of the non-farm private sector in general, and especially at the local level, presented serious limitations on what could be done. Reliance on the private sector to undertake needed investments in most developing countries was viewed as simply too difficult.

Second, donor investments were focused upon strengthening the capacity of the central government to design and carry out implementation tasks. The development of subnational capacity was viewed as the prerogative and responsibility of those central governments -- a task that could be undertaken once the national capacity was in place. In general, therefore, donors did not support projects to develop the capacity of local governments, except as a means of improving their effectiveness in carrying out implementation tasks assigned by a central government. The only exception to this pattern within AID appears to have been in the Latin America Bureau, where financial institutions were created to provide credit and technical assistance to municipal governments in a number of countries.

When evidence appeared that the reliance on central planning and implementation was not working, attempts were made to give implementation responsibility directly to the beneficiaries. The emphasis shifted to working directly with the beneficiaries; focusing on participation, assistance to private voluntary

organizations operating at the community level, the creation of cooperatives, and the like. Attempts were made to bypass entrenched local elites. Resources were channelled through national line agencies to provide the legitimacy and support needed. Little attention was given to the development of capacity at intermediate institutional levels, and the role of local government remained as passive as before. Whereas earlier strategies had limited local government to responding to the initiatives of central ministries, now it was expected to respond to the initiatives of the beneficiaries.

However, it was soon realized by many development experts that a reliance solely on the resources and involvement of beneficiaries would not work either. The gains made from this approach disappeared too soon after outside support ended. It was very difficult to institutionalize changes, and the beneficiaries rarely had the organizational structure and resources necessary to carry on the development process themselves. Moreover, concern grew that, as new development programs, ideas, and trained staff arrived from the capital city, local officials would find themselves bypassed, without the training, resources, or motivation needed to provide effective leadership. Thus, the development process could, over time, undermine local government institutions and make the local population even more dependent upon the benevolence of the central government.

As a consequence, the emphasis of donors such as AID shifted to decentralization. This included the strengthening of intermediary institutions in order to link beneficiaries with needed external resources and to provide a more permanent structure upon which to base future development initiatives. Local governments, finally, began to play a more significant role in development.

CHAPTER TWO
AID'S LOCAL GOVERNMENT PORTFOLIO

Although financial assistance to strengthen local government represents only a small proportion of total AID assistance the absolute level of such assistance has been increasing in recent years.

Sixty-three AID projects were identified during the course of this study which had among their objectives, that of strengthening local government institutions. Of these projects, 6 were from the Near East Bureau, 22 from the Asia Bureau, 25 from the Bureau for Latin America and the Caribbean, and 10 were from the Africa Bureau. Annex A, Table 1 presents the projects by geographic area and completion status. Annex A, Table 2 categorizes the projects by rural/urban focus, level of intervention (national, regional, or local) and type of assistance.

Twelve of the 63 projects were begun prior to 1970 and 9 were initiated between 1970 and 1974. Another 24 were begun between 1975 and 1979, and 18 have been initiated since 1979. Table 1 distributes these projects by bureau over time, in terms of the number of projects and scale of investment. Although the figures for level of investment are only rough estimates, it is apparent that there has been a sizeable increase in AID funds going to local government projects. That increase, however, has been concentrated in the Near East and Asia Bureaus. In the Bureau for Latin America and the Caribbean, on the other hand, the importance of local government projects in the portfolio has been decreasing, while in the Africa Bureau it has, in relative terms, remained minor.

Table 1: Changes in AID Investment in Local Government Projects*

Period	Total		Near East		Asia		Latin America		Africa	
	Number of Projects	Amount (000)	Number of Projects	Amount (000)	Number of Projects	Amount (000)	Number of Projects	Amount (000)	Number of Projects	Amount (000)
pre 1970	12	30,887	0	0	4	69,575	7	21,600	1	3,333
1970-1974	9	73,739	0	0	1	5,851	8	67,888	0	0
1975-1979	24	199,001	1	26,200	9	101,636	7	37,060	7	33,855
post 1979	18	375,211	5	160,000	8	200,337	3	8,500	2	6,374
TOTAL	63	742,459	6	186,200	22	377,399	26	135,048	10	43,562

* Figures taken from AID's DIS system records. This data base does not contain projects which were completed prior to 1974. Consequently, the level of AID support to local governments prior to 1970 is probably underestimated.

Source: Constructed by the authors based on data in Annex A, Table 1.

AID's efforts to support local governments have been concentrated in three countries. The Near East Bureau's local government investment has been in Egypt, where AID is actively supporting that government's recent decentralization initiative. Meanwhile, the Philippines accounted for nine (41%) and Indonesia for seven (32%) of the Asia Bureau's local government strengthening projects.

Sixteen of the 63 projects (25 percent) were directed primarily towards urban areas, while 47 (75 percent) focused on rural areas or on regions as a whole. More than half of the urban projects were in the Bureau for Latin America and the Caribbean.

Capacity building was identified as a primary objective in 48 (76 percent) of the local government projects. In the remaining 15 projects (24 percent) the primary objective was usually the construction of infrastructure and housing or the provision of public services. Three were regional development projects with multiple objectives.

Table 2 classifies the 63 projects in terms of level of intervention; that is, whether the assistance was going to national, regional, and/or local institutions. As can be seen from this table, a large majority of the projects in the Bureau for Latin America and the Caribbean have provided assistance to national level institutions which, in turn, have assisted local governments. In contrast, the Near East and Asia Bureaus' portfolios have emphasized more direct assistance to regional and local level government institutions.

As shown in Table 3, the proportion of local government projects aimed at strengthening national level agencies has been declining over time. Direct assistance to regional and/or local levels, in comparison, has been increasing.

Table 2: Level of Intervention

	Total	Near East	Asia	Latin America	Africa
		(number of projects)			
Assistance at National Level	33	3	7	20	4
Assistance at Regional Level	23	3	12	5	3
Assistance at Local Level	24	4	12	4	4
Total No. of Projects per Bureau		6	22	25	10

* Because many projects will provide assistance to more than one level, the number of projects within each bureau generally exceeds that given for the total number of projects per bureau.

Source: Constructed by the authors based on data in Annex A, Table 2.

Table 3: Changes in Level of Intervention*

Period	Assistance at National Level	Assistance at Regional and/or Local Level
pre 1970	75.0%	58.4%
1970-1974	77.8%	55.5%
1975-1979	41.7%	79.2%
post 1979	38.8%	83.2%

* Percentage of the local government projects initiated in that time period that provided assistance to that level. Since projects often provide assistance to more than one level, these percentages will not add up to 100 percent.

Source: Constructed by the authors based on data in Annex A, Table 2.

Both direct and indirect training was provided to local governments by 43 projects (68 percent). Technical assistance was provided to local governments by 33 projects (52 percent), and financial assistance by 40 projects. (See Table 4.)

Sixteen of the 63 projects identified (25 percent) provided training to trainers or strengthened training institutes which, in turn, provided training to lower levels of government. Over half of these projects were from the Bureau for Latin America and the Caribbean. In a majority of these, the strengthened training institutes were expected to provide technical assistance and/or financing to local governments, as well as training.

Table 5 shows the change in type of activity over time. As can be observed, the number of projects involving the training of trainers or the strengthening of training institutes has been decreasing. In general, however, the proportion of projects providing training has remained the same. Similarly, the proportion of projects providing technical assistance, either directly or indirectly, to subnational units of government, while fluctuating somewhat, has remained roughly constant. Finally, the percentage of projects providing financial assistance to subnational units has increased.

The Study Sample

From the 63 local government projects identified in the review, 17 projects were selected for a more in-depth analysis. These are shown in Table 6. In selecting these projects, an attempt was made to reflect the diversity of the population in terms of geographic distribution, completion status, and project characteristics (rural/urban breakdown, level of intervention, and so forth). The selection was, however, constrained by the quality of data available. For many of the projects, the design and

Table 4: Type of Assistance Given to Local Governments, by Region *

Region	Total No. of Projects	Training of Trainers	All Training	Provided Technical Assistance	Provided Financial Assistance
Near East	6	1 (16.7%)	5 (83.3%)	3 (50.0%)	6 (100.0%)
Asia	22	2 (9.1%)	13 (54.5%)	12 (54.4%)	11 (50.0%)
LAC	25	9 (36.0%)	17 (68.0%)	13 (52.0%)	17 (68.0%)
Africa	10	3 (30.0%)	8 (80.0%)	4 (40.0%)	6 (60.0%)
Totals	63	16 (25.4%)	43 (68.3%)	33 (52.4%)	40 (63.5%)

* Percentages will not add up to 100 percent since projects may provide more than one form of assistance. Percentages refer to proportion of projects in each bureau providing the specified assistance.

Source: Constructed by the authors based on data in Annex A, Table 2.

Table 5: Change in Type of Technical Assistance over Time*

	Training of Trainers or Strengthening of Training Inst.	Provision of Training	Provision of Technical Assistance	Provision Financial Assistance
pre 1970	41.7%	66.7%	41.7%	41.7%
1970-1974	55.5%	77.8%	22.2%	77.8%
1975-1979	16.7%	62.5%	62.5%	58.3%
post 1979	16.7%	66.7%	50.0%	77.8%

* Percentage of total number of projects in the AID portfolio during the time period providing that type of assistance. Since projects may provide more than one type of assistance, these percentages will not add up to 100 percent.

Source: Constructed by the authors based on data in Annex A, Table 2.

Table 6: Study Sample: Local Government Projects

	Completed Projects	Current Projects	Planned or Recently Implemented Projects
Asia	492-0236 Provincial Development Assistance Program, Philippines	497-0264 Provincial Area Development Program, Indonesia	492-0358 Local Resources Management, Philippines 493-015 Decentalized Development Management, Thailand
Near East		263-0021 Development Decentralization I, Egypt 263-0103 Basic Village Services, Egypt	Decentralized Planning and Management, Egypt (project not yet funded)
Africa	663-0210 Southern Gemu Gofa Area Rehabilitation, Ethiopia	621-0143 Arusha Planning and Village Development, Tanzania	650-0012 Sudan Rural Planning, Sudan
Latin America	511-0082 Local Government Assistance, Bolivia 515-0129 Integral Rural Development, Costa Rica 520-0176 Public Administration Municipal, Guatemala 512-0302/512-0122 Municipal and State Administration I & II, Brazil 522-0109 Municipal Development Bank Honduras		522-0165 Municipal Development II, Honduras

evaluation documents available through DIS and the various Bureaus were inadequate to support an extensive desk review. In several cases, documentation had to be supplemented with personal knowledge of the projects on the part of members of the team.

CHAPTER THREE
ISSUES AND FINDINGS

As noted in the introduction, this report addresses three major issues raised by AID's assistance to local governments in promoting development. Summaries of each of these issues and the pertinent findings of the document review are presented below, along with a discussion of the experience on which the findings are based. Additional issues are raised and discussed in Annex B.

Issue A: On Local Autonomy

Have local government projects enhanced local autonomy or served only to reinforce the control of the national government in rural areas?

Discussion

Donor agencies such as AID generally view the deconcentration of power as a positive trend, since it should result in greater participation and self-determination. However, the process of decentralization is often undertaken by governments in developing countries with a high degree of caution and ambivalence, for a number of reasons. First, central authorities are often reluctant to create possible sources of competing power. The more effective subnational governments become, the more they are seen as a threat to central governments.

In addition, local governments are frequently deficient in both resources and technical capacity. Thus the possibility of their failure is greater. Limited capacity at lower levels not only undermines the willingness of central authorities to delegate responsibility, but increases the reluctance of subnational officials, themselves, to accept new responsibilities. Lack of

capacity produces fear of failure and suspicion that that failure will be used to justify future centralization of authority and reductions in autonomy. Thus, recipients of new responsibilities do not always welcome them.

Support to local governments can both enhance local autonomy and simultaneously reinforce the control of the national government over rural areas. These are not mutually exclusive alternatives, but rather different stages in the process of nation-building. Strengthened national capacity may be required in the short run to create the local capacity needed to ensure local autonomy in the long run.

This hypothesis is most clearly illustrated by the Provincial Development Assistance Project (PDAP) in the Philippines. In that project, a national level agency (PDAP-Central) was created to channel resources to provincial governments. For over ten years, PDAP-Central maintained strict control over the resources, training, and technical assistance going to the provinces under the project. Local discretionary authority over PDAP funds remained very limited and, as the program expanded, PDAP-Central took on the characteristics of a line agency. Eventually, however, political shifts and changes in donor lending patterns weakened PDAP-Central's position, to the point where it lost its control over the provinces. By that time, however, the provinces had developed sufficient capacity to leverage funds from other sources and continue implementing development projects on their own.

The appropriate strategy for AID, therefore, will depend upon where a recipient country is in the nation-building process. Nevertheless, support for administrative decentralization and local administrative autonomy constitutes a potentially productive area of AID involvement. This is because an investment in that process can produce substantial payoffs through the improvement of local organizational capacity and performance.

AID local government projects have, in some cases, supported trends toward decentralization underway in selected countries. In other cases, AID projects have run counter to trends, for better or worse, towards greater centralization of decisionmaking and revenue generation. An official policy of decentralization existed in Tanzania, where the AID-supported Arusha Planning and Regional Development Project was undertaken. That project provided AID funds in lump sum grants directly to the Regional Government under the auspices -- but not control -- of the Prime Minister's office. Regional officials were authorized to identify, design, approve and implement specific development project activities without interference by central government agencies. An important component was financial support to develop a comprehensive regional plan which was used as a framework to judge the relevance of project-level initiatives.

In Honduras, on the other hand, an AID project aimed at strengthening local governments ran counter to a national trend toward the centralization of authority. There, the central government had historically attempted to dominate local municipalities and curtail their taxing power. As a result, the efforts of the AID-funded project to increase the capacity of local governments were, in some cases, offset by the appropriation of responsibilities and the centralization of revenue collection by the central government. Similar situations were encountered with AID local government projects in both Guatemala and Brazil.

The foundation for building local administrative autonomy and central government confidence in local government is dependent on the development of local level human resource capacities. Most local governments are woefully short of technical expertise, particularly in the agricultural sciences. Skilled manpower in these fields is difficult to recruit for local government service, especially in more remote areas. This is because of both shortages in national supply and the ability of large private

sector firms and/or central ministries to compete for trained manpower on more advantageous terms. As a result, local governments remain dependent upon technical expertise available at higher echelons in the bureaucratic hierarchy.

Even in those cases in which skilled manpower is provided at the local level, local governments may not have the authority and/or ability to manage "their" personnel. In the Basic Village Services Project in Egypt, public employees working for local governments were sometimes subject to the hiring, firing, promotion, and other personnel management regulations of a central government organization. Often, they received their salary from another agency, not from the local government for which they worked. The result was that often the personnel attached to local governments had divided loyalties and responsibilities. Faced with conflicting demands, the individual was likely to give greater attention these institutions and less to the demands of the local government unit.

Where the government does actively support decentralization and increased local autonomy, it still may be difficult to redirect the necessary manpower, material and financial resources to lower administrative levels. For example, Tanzania established a decentralization policy providing for the placement of 40 percent of the country's development budget under the direct control of regional governments. Even still the Regional Government of Arusha controls only about 10 percent of the government's regional development budget.

Control over financial resources is crucial to ensuring the autonomy of local governments. Needed financial resources can be made available in a number of ways. Several of the projects in the sample attempted to increase the tax revenue base at the disposal of local governments. Often this was done through financing cadastral surveys and internal tax administration

reform. Others attempted to increase the revenues available to local governments from outside resources, either through direct loan programs or by increasing their ability to secure central government funds. Mobilizing beneficiary resources for community development efforts was another approach used, as was the creation of income generating activities. In some sample projects, however, no apparent attempt was made to increase local government resource bases. (See Annex B-7, Generating Resources for Local Governments, for further details on this question.)

Findings

- The role of local government projects in raising local autonomy is mixed.
- This mixed record is a function of central government commitment, pre-existing local capacity, and the stage of decentralization.
- The paradox of strengthening local government is that it is a national government initiative that may require increasing national strength in the short run, if the long run objective of local autonomy is to be achieved.

Issue B: Local Government and the Private Sector

Has strengthening local public institutions furthered overall development or merely displaced the private sector?

Discussion

An important question facing local government support project is whether they discourage or encourage the growth and development of the private sector. Government can limit the growth of the private sector by competing with it directly, through the provision of goods and services which are within the private sector's capacity to provide. Similarly, it can restrict the

private sector through direct interventions into the market process, including the adjustment of prices, wages, interest rates, and tax policies.

On the other hand, investment by government can stimulate the growth and development of the private sector. The provision of transportation infrastructure, communication facilities, and access to power can make previously unprofitable ventures feasible. Similarly, the private sector can benefit from the provision of training and capital by public institutions. The public sector can also provide venture capital or subsidies to private investments when social benefits will result. Finally, public institutions can strengthen the private sector by purchasing the goods and services that it produces.

In many developing countries local governments have the potential to be even more effective than national governments in fostering the expansion of the private sector at the local level. For example, local governments may be more likely than central governments to contract with local private sector firms to carry out selected activities. Since local governments will generally administer smaller scale projects, it is more likely that a local government activity will be within the capacity of local firms to undertake. The benefits to the private sector will be more dispersed, with a large number of small firms involved. At the national level, a limited number of large firms or state-subsidized operations will have a comparative advantage.

Local businessmen and small-scale entrepreneurs will have little voice at the national level. Consequently, it will be difficult for them to influence the decision making process to secure direct government contracts or assistance (such as loans, training, and better roads). However, when development budgets are locally administered, local businessmen can, by influencing local officials, obtain both contracts and assistance.

The potential for the displacement of the private sector by local governments will depend upon what development functions those local governments ultimately perform. (See Annex C for a discussion of the spectrum of development functions and the respective roles of the public and private sectors). Table 7 presents those activities undertaken by the local governments involved in each sample project. Fourteen of the 17 projects supported construction and maintenance of basic infrastructure. This included activities such as the construction of roads, sewer systems, slaughterhouses, public markets, and potable water systems. Such investments are not normally economically justified from the individual firm's point of view, even though the existence of social benefits may justify the investment to society as a whole.

Six of the projects in the sample supported the provision of social services by local governments. These included education and health services, agricultural extension, and the provision of agricultural inputs. Though the former are generally considered government responsibilities in developing countries, the provision of agricultural inputs may, in some cases, be within the capacity of the private sector to perform.

Finally, nine of the projects in the sample supported productive investments by local governments. These included both the promotion of community run enterprises and local government-controlled and -operated efforts. Examples of such productive investments include cattle fattening and poultry production projects by local governments in Egypt

While the private sector displacement question deserves serious attention, it was rarely brought up in the documentation available on the projects in the sample. In only one case, the Rural and Municipal Development Project in Panama, was the question raised in the Project Paper. In that project, the

Table 7: Projects by Spectrum of Development Function

Projects in Sample	Type of Activities Performed by Local Governments and Supported by the Projects*		
	Infrastructure Construction and Maintenance	Provision of Social Services	Productive Investment
Egypt Devel. Decent.			X
Egypt Basic Vill. Serv.	X		
Egypt Dec. Pl. & Man.	X	X	X
Philippines Prov. Develop.	X		
Philippines Local Resource M.	X		X
Thailand Decent. Dev. Man	X		X
Indonesia Prov. Area Dev.	X	X	X
Bolivia Local Gov't Asst.	X		
Brazil Mun. & State Adm.	—	—	—
Costa Rica Integ. Rural Dev.	X	X	X
Guatemala Publ. Adm.-Munic.	X		
Honduras Munic. Dev. Bank I	X		
Honduras Munic. Dev. Bank II	X		
Panama Rural & Mun. Dev.	X	X	X
Tanzania Arusha Pl.	X	X	X
Sudan Rural Planning	—	—	—
Ethiopia Gemu Gofa	X	X	X

* (—) = No specific sub-activities identified in project documentation.

Source: Constructed by the authors.

apparent competition between municipal commercial enterprises and the private sector was noted. The social soundness analysis concluded, however, that where such projects were proposed there was no similar private sector activity. The reason for municipal involvement was precisely to fill the void and supply needed goods and services to the public. According to the Project Paper, each sub-project request was to be reviewed by the Municipal Development Fund with this potential problem in mind, to insure against such conflicts arising. The Project Paper concluded by stating that no displacement of ongoing private sector activity was expected to take place.

Assistance to local government projects can also encourage the expansion of the private sector at the local level. Table 8 identifies the mechanisms used by local governments in the 17 sample projects to support the private sector. In five cases this was done by having the local government sub-contract the responsibility for executing project-related activities to private firms. This involved primarily subcontracting infrastructure construction to local enterprises.

In two cases, the provision of credit to non-governmental and private organizations was contemplated. In Panama's Rural Municipal Development Project, for example, the Municipal Development Fund provided credit for employment generating projects by local community groups. These loans were given under the auspices of local municipal governments (which also acted as guarantors of the loans). One such loan was for a woodworking shop which employed 20 persons, while another was for a clothing factory employing 40 people. In exchange, the Municipal Development Fund sought administrative reforms by the participating local governments.

Table 8: Local Government Project Support to Private Sector

Projects in Sample	Mechanisms Used by Local Governments in Project to Support Private Sector Activities			
	Sub-Contracting Projects to Private Firms	Provision of Credit	Provision of Training and Tech. Asst.	Research and Development Marketing Studies
Egypt Devel. Decent.				
Egypt Basic Vill. Serv.	X			
Egypt Dec. Pl. & Man.	X		X	X
Philippines Prov. Develop.				
Philippines Local Resource M.	X			
Thailand Decent. Dev. Man			X	
Indonesia Prov. Area Dev.		X	X	
Bolivia Local Gov't Asst.				
Brazil Mun. & State Adm.				
Costa Rica Integ. Rural Dev.				X
Guatemala Publ. Adm.-Munic.				
Honduras Munic. Dev. Bank I	X			
Honduras Munic. Dev. Bank II	X			
Panama Rural & Mun. Dev.		X	X	
Tanzania Arusha Pl.			X	
Sudan Rural Planning				
Ethiopia Gemu Gofa				X

Source: Constructed by the authors.

Training and technical assistance were provided to private sector entities in five projects. In the Arusha Planning and Village Development Project in Tanzania, for example, the promotion of rural industries was an objective. Technical assistance was provided to the Small Industries Development Organization which promoted agricultural production (including the introduction of improved ox-drawn equipment), grinding mills, and the local manufacture of brick, tile, and soap by local entrepreneurs.

Finally, three of the 17 local government projects in the sample supported the private sector through research and development, feasibility studies, and/or market research. In the Integral Rural Development Project in Costa Rica, for example, a milk marketing study was undertaken to identify the demands for milk and milk products and the economic feasibility of a milk processing plant. Similarly, a vegetable and fruit marketing analysis was completed and a packing plant constructed

Findings

- Although examples of displacement may exist, local government projects are generally supportive of private sector development in both a direct and an indirect manner.
- AID documentation seldom confronts this issue, and as a result numerous opportunities for more effective programming may be lost.
- AID, as a bilateral agency, is involved in government-to-government relations and thus cannot bypass national governments or public institutions. Nevertheless, it should place a greater emphasis on experimental alternatives.
- The issue is less a need to seek ways to provide direct assistance to the private sector than it is a need to understand thoroughly the complex web of local relationships so that effective and efficient vehicles can be chosen as the recipients of development assistance.

Issue C: Bottomless Pit or Important Piece of the Puzzle

Is support to local government a waste of resources, or it an important means of achieving local development?

Discussion

At least on the surface, assistance to local governments would seem to be an enormous task, and the strengthening of local administration an objective which is beyond the capacity of AID to achieve. An evaluation of the Municipal and State Administration Project in Brazil, for example, noted that there were some 1,400 municipalities just in the nine states of Brazil's Northeast Region. The project hoped to train half of the 150,000 municipal and state employees in that region in administration, personnel management, budgeting, and related subjects. However, the number of employees needing training was so large and their level of formal education so low that much of the training provided was in effectual. The evaluation concluded that training semiliterate employees in administrative principles and techniques was a wasted effort. Instead, basic education was needed, something which was beyond the scope of the project to deliver. In a setting such as this, large amounts of foreign assistance could easily be invested in strengthening local governments in developing countries, with little perceptible impact.

At the same time, however, the argument can forcefully be made that local governments represent an important variable for determining the effectiveness of development assistance in general. Egypt's Basic Village Services Project provides an illustration of the importance of local government participation in project selection, design, and implementation. An evaluation

undertaken early in the life of that project examined the performance of the first three governorates (provinces) involved. Each governorate permitted a different level of village involvement in subproject decisionmaking, and their relative performances revealed a strong correlation between the degree of local government participation and successful project implementation. In Fayoum Governorate, villages were responsible for all phases of subproject implementation. Of the three governorates involved in the project, Fayoum had the highest project completion rate (80 percent) and the largest percentage of funds disbursed (67 percent). It also had the lowest average cost per project (only one half that of the other two governorates).

In Sharkia Province, on the other hand, almost half of the subprojects examined were initiated at the governorate level. Governorate officials stated that they did not have time to involve village councils. Rather, these officials assumed implementation responsibility, using private contractors in a number of cases. Village level participation was limited to providing voluntary manual labor for construction. The rate of project completion in Sharkia Governorate (43 percent) was lower than that of Fayoum, as was the percentage of funds disbursed (65 percent).

In the third governorate, Sohag, all of the subprojects examined were initiated and implemented at the governorate level. Large construction contractors were hired by governorate officials, who argued that smaller firms did not have access to the more efficient equipment of larger contractors and were "less competent". These governorate officials felt that local units were technically incapable of awarding contracts and supervising project completion. Yet the performance of Sohag Governorate was the least satisfactory of the three participating governorates. At the time of this early evaluation, none of the subprojects in Sohag Governorate had been completed, and only 25 percent of the funds had been disbursed.

Thus the capacity of local governments to either assist or obstruct other development initiatives in rural areas is very important. Other sectoral efforts, such as education and health programs, may need supportive environments to succeed. Strengthening the capacity of key local governments may be essential to providing these supportive environments and, thus, critical in an effective AID portfolio.

As with most development strategies, assistance to local governments has both advantages and disadvantages, and its value as an approach will depend upon the circumstances under which it is undertaken. Table 9 lists some of the advantages and disadvantages entailed in relying upon local governments in the development process.

With respect to local government support, the most serious concern for national level policymakers is that local governments may become power bases for political opponents. However, a strong local government system can also have a stabilizing effect by providing the continuity of authority necessary to ensure national unity even in the face of major political changes at the national level.

Since local decisionmakers are generally more accessible to beneficiaries, they may be more responsive to their needs. The wide physical and social distance between the rural poor and elites in the capital, will be reflected in the different needs and interests of the two groups. Further, if project planning and design is undertaken solely at higher levels of government, there is a danger that technical expediency will overshadow local needs and priorities. On the other hand, local level decisionmakers may be creatures of the local elite, or susceptible to the demands of pressure groups or short term shifts in public opinion. They may, consequently, discriminate against minorities within the community

Table 9: Reliance on Local Government: Advantages and Disadvantages

Dimension	Advantages	Disadvantages
Political Stability	A strong local government system can provide an underlying stability to the society, which would make political changes at the national level less traumatic.	In a heterogenous or divided country, local governments may become the nucleus for opposition to the central government or secessionist movements.
Representativeness/equity within the community	Because of closer ties to the community, local leaders may be more responsive to local needs. National elites may not be sympathetic to local needs and desires.	Local officials may be susceptible to pressure from local elites and interest groups. Therefore, they may be more likely to discriminate against minorities or the powerless within the community. Because they are not members of the community, national level elites may be more impartial in the allocation of resources and benefits within the community.
Equity among communities	Where localities vary in terms of resource availability and needs, national level policies will not be broadly applicable. Consequently, some regions will benefit or suffer more then others.	Conscious redistribution of resources by the central authority is needed when there is a severe problem of unequal distribution of income among regions or localities.
Participation	Beneficiaries will have greater accessibility to local level officials than to those at the national level. Thus, their incentive and ability to participate in decision making may be greater.	Local officials may be less sensitive to the value of beneficiary participation in project planning and implementation and, therefore, less willing to actively promote it.
Availability of Resources	Beneficiaries are more likely to contribute to projects which are planned and implemented at the local level, since they can more easily see the relationship between their investment and the receipt of benefits.	Often local governments lack the resources and personnel needed to effectively and efficiently carry out development activities.

Table 9. (continued)

Efficiency of Resource Use	Local officials have a better understanding of the specific needs of a given area, and therefore can make more informed decisions. Local level decision making can help tailor national level policies to the local physical, economic, and social situation. Local governments are more efficient in managing small scale projects, since they can give their project more intense supervision than a national level supervisor which is responsible for numerous, scattered, small projects.	Routine services can be delivered more predictably and with more consistent quality by national, not local, level institutions. When there is a need for standardization of activities, policies, output, or quality, national level efforts will be more appropriate. Limited administrative capacity means that large scale projects will be less effectively managed by local government.
Sustainability	Local governments can provide the permanent structure into which benefit-generating activities must be placed. They will have the organization, staff, and mandate needed to carry on such activities.	A lack of resources and technical skills may make it difficult for some local governments to carry on activities after outside funding ends.

Source: Compiled by the authors.

or defend the status quo against needed social change. National level decisionmakers, precisely because they are outsiders, may be more impartial in supervising the allocation of resources and benefits within the community. (See the discussion in Annex B-1, Whether Local Governments in Developing Countries Adequately Represent Broad Community Interests).

Given different resource bases, socio-economic structures, and needs among localities in developing countries, the indiscriminant application of national policies may alter relative welfare patterns. Nationally administered taxes, for example, may place a heavier burden on some regions than others. Consequently, the utilization of local governments to tailor national policies to local situations can promote greater equity among regions. Nevertheless, policies administered at the national level can also be employed by the central government to help alleviate existing inequities through a conscious redistribution of resources and benefits.

The greater accessibility of the beneficiaries to decision makers can promote increased beneficiary participation. The participation of beneficiaries can increase their "ownership" of a project, and thus their commitment to it. This, in turn, may increase the chances that project benefits will be sustained -- for instance that roads will be maintained and irrigation canals repaired -- once outside funding ends. Moreover, local governments can serve as training grounds for future community and national leaders. Unfortunately, local level officials may be less aware of the importance of beneficiary participation for project success, and consequently, less willing to promote participation. (See Annex B-2, Beneficiary Participation in Local Government Projects, for a fuller discussion of this issue).

An important disadvantage of relying on local governments is their lack of the resources, personnel, and experience needed to effectively carry out development activities. In developing countries, administrative and technical talent is concentrated at the national level. Further, it has traditionally been the central government which has generated the resources needed for development efforts. Often these resources come from revenue bases or sources (e.g., foreign investment) which are not directly available to local governments. As a result, local governments have traditionally been dependent upon the central government for financial appropriations and the approval of operating and expenditure decisions.

Some activities, simply because of the economies of scale, or cost and benefit "externalities," need to be planned and implemented at higher administrative levels. For example, to maximize social benefits, a new road must fit into a regional transportation network. The perspective of a single village or municipality, therefore, may be too narrow to ensure an optimal selection. Similarly, in terms of obtaining revenues, some taxes are more easily and equitably assessed and collected at the local level, where revenue staff know the people, their customs, and relative wealth. Other taxes, however, are more appropriately collected at the national level, since revenue generating capacity may not be spread evenly throughout the country. Import taxes, and taxes on manufacturing output are examples of taxes which may be more amenable to national level administration.

In terms of the efficiency with which available resources are used, the reliance on local government has, at least theoretically, several advantages over central decisionmaking. Local officials and managers are closer to local level problems and should, therefore, have a better understanding of local needs and constraints. Local officials can also provide closer supervision

over projects which may be only a small part of a national program. However, inadequate administrative capacity may limit the quality and dependability of the goods and services delivered, as well as the scale of the projects which can be managed at the local level. Moreover, where there is a need for standardization (such as school curricula or construction standards) or a need to achieve national objectives, involvement by central decisionmakers will be necessary.

Finally, the utilization of local institutions can affect the sustainability of development activities and the benefits that they produce. Beneficiaries are more likely to continue projects which are planned and implemented at the local level and over which they have some control. Moreover, local institutions can provide the structure and authority needed to support locally based activities on a continuing basis. However, the lack of resources, trained personnel, and political bargaining power of local institutions may limit their ability to sustain activities over time. (See Annex B-8, Sustaining the Benefits of Local Government Projects, for a further discussion of this issue).

Findings

- Support for local government must be viewed in light of larger development objectives.
- Assistance to local governments should be selective, based on the importance of this element in the local development strategy, local resources endowment, and mission portfolio.
- Ignoring local government may threaten the success of other AID programs and, although capacity building within local governments is no easy task, this key element must be given thorough attention.
- Local government assistance is a legitimate focus for AID.

CONCLUSIONS

The three issues identified in the introduction were discussed and summative findings presented in the preceding section. This concluding section will go beyond those specific concerns to address paths of action and inquiry that AID could follow to improve its ability to strengthen local governments, and promote development in the Third World. Information on which these conclusions are based is presented in the annexes as well as in the main body of the report.

Four questions are posed as a means of focusing the conclusions of this study.

What Does This Review Suggest About AID's Local Government Portfolio?

Although local government projects are still a small amount of AID's portfolio, their importance is growing. This is partly due to a trend toward decentralization in several developing countries and partly to country- and mission-specific factors. The array of projects, however, shows no consistent focus and no consistent strategy. Instead, the portfolio includes a hodgepodge of decentraliation initiatives, area development programs, and components of larger projects, as well as assistance directly to local governments. In addition, different institutional arrangements are used, such as assistance to national institutions which then help local entities, assistance at the regional level, or direct local level support. Likewise, various strategies are employed, including local management training, assistance in revenue generation, technical studies of financial management, and participant training. The record of these efforts also varies greatly. In sum, AID's local government portfolio is a mixed bag that has produced mixed results.

What Information is Needed to Understand the Role of Local Government?

Formal statements of program objectives are not very useful for identifying the actual situations where local government projects are implemented. Informal "behind the scenes" patterns of decisionmaking are more likely to affect program success than the idealized interpretations of local processes which find their way into project documentation. Moreover, the importance of local governments varies from country to country, and formal statements of authority do not reveal actual practices and informal differences. Therefore, an assessment of the role of local government in any specific situation must go beyond a document review to uncover informal dynamics.[1]

What is the Appropriate Role for Support To Local Government?

Local governments should be considered as potential recipients of development assistance, or as mechanisms for program implementation, in situations where they play a key role in decentralization efforts, or are important for implementing AID and host government sectoral objectives. Their performance, legitimacy, and proximity to the local population all favor their use wherever feasible. However, local government support should be viewed as a means toward sectoral objectives rather than as a goal in itself. Thus, support should be selective and based upon AID's country program rather than the promotion of local government as a sector or as a component of all country programs.

How Can Support to Local Government Be Improved?

Local government programs will require an emphasis on capacity-building objectives rather than resource transfer or production objectives. When short-term production goals are used as the basis for evaluations, however, activity is redirected and capacity-building suffers. A number of factors stand in the way of field success. These include AID's present design process, the tendency to "blueprint" expectations, the use of technical assistance to do a job rather than to train others to do it themselves, and the evaluation focus on physical production. (See Annex C for a discussion of a number of these points.) Thus, to improve the quality of AID support to local governments, AID must examine its project development, implementation and evaluation practices in light of capacity-building objectives.

FOOTNOTE

1 For a suggested approach, see George Honadle, "Rapid Reconnaissance for Development Administration: Mapping and Moulding Organizational Landscapes," World Development vol. 10, no. 8 (August 1982), pp. 633-649.

ANNEX A

PROJECTS IN AID'S

LOCAL GOVERNMENT PORTFOLIO

Annex A, Table 1: Distribution of Local Government Support Projects

LOCAL GOVERNMENT SUPPORT PROJECTS

	NEAR EAST	ASIA			
	Eygpt	Bangladesh	Nepal	Korea	Philippines
Pre-1970				489-0652 Public Administration (1968-74) $ 696,000	492-0236 Provincial Development (1969-1976) $ 3,776,000
1970-74					492-0256 Local Development (1973-78) $ 5,851,000
1975-79	263-0021 Development Decentralization I (1978-81) $ 26,200,000				492-0297 Rural Roads II (1978-80) $ 35,117,000 492-0298 Real Property Tax Administration (1978-81) $ 10,000,000 492-0304 Rural Service Centers (1978-1980) $ 1,696,000 492-0318 Fund for Local Government (1979-80) $ 10,300,000
Post-1979	263-0103 Basic Village Services (1980) $ 70,000,000 263-0127 Provincial Cities Development (1981) $ 20,000,000 263-0143 Decentralization Support (1980) $ 50,000,000 263-0153 Neighborhood Urban Services (1981-86) $ 20,000,000 Decentralized Planning & Mgmt. (not yet funded)	388-0056 Zilla Roads Maintenance (1981-86) $ 8,200,000	367-0129 Rural Area Development Rapati Zone (1980-84) $ 26,700,000		492-0333 Barangay Water Project II (1980-82) $ 20,437,000 492-0358 Local Resources Mgmt. (1982-85) $ 28,500,000 492-0161 Municipal Development Fund (1981-84) $ 70,000,000

LOCAL GOVERNMENT SUPPORT PROJECTS

	ASIA continued			LATIN AMERICA		
	Thailand	Indonesia		Bolivia	Brazil	Colombia
Pre-1970	493-0163 Accelerated Rural Development (1964-77) $ 63,621,000 493-0215 Need Plan Project (1968-75) $ 1,482,000				512-0122 Municipal & State Administration (1966-71) $ 6,104,000 512-0240 Sao Pablo Highway (1967) $ 8,573,000 512-0302 Municipal & State Administration (1962-74) $ 2,128,000	
1970-74				511-0082 Local Government Assistance (1974-78) $ 6,170,000	512-0277 Highway Maintenance Equipment (1971) $ 5,005,000 512-0280 Health Sector Loan (1970) $ 15,246,000	514-0172 Urban Region Sector II (1973) $ 32,948,000
1975-79		497-0237 Kabupaten Plan Mgmt. Training (1977) $ 470,000 497-0238 Area Dev. Project Plan (1975-77) $ 393,000	497-0246 Northern Sumatra Regional Planning (1977-80) $ 1,560,000 497-0264 Provincial Area Development I (1977-84) $ 17,600,000	497-0276 Provincial Area Development II (1979-82) $ 24,500,000	511-0471 Rural Dev. Planning (1978-84) $ 3,300,000		
Post-1979	493-0315 Provincial Planning & Development (1980-84) $ 10,000,000	497-0281 Citanduy II (1980-82) $ 27,000,000 497-0308 Local Government Training II (1980-82) $ 9,500,000			511-0543 National Urban Development Service II (1981) $ 5,300,000		

55

Annex A, Table 1: (Continued)

LOCAL GOVERNMENT SUPPORT PROJECTS

	LATIN AMERICA continued						
	Costa Rica	Guatemala	Honduras	Nicaragua	Panama	Paraguay	Peru
Pre-1970		520-176 Public Administration Municipal (1966-76) $ 681,000	522-0039 Public Administration Personnel - Municipal (1965-75) $ 1,946,000 522-0091 Civil Development (1968-75) $ 589,000		525-0048 Government Administration & Fiscal Reform (1953-72) $ 1,579,000		
1970-74	515-0118 Municipal Development (1971) $ 3,574,000 515-0116 Civil & Social Research & Dev. (1971-76 $ 845,000	520-0196 Municipal Development Instruction (1971) $ 2,100,000				526-0801 Municipal Development (1973) $ 2,000,000	
1975-79	515-0129 Integrated Rural Development (1976-78) $ 310,000		522-0109 Municipal Development Bank (1975) $ 4,100,000	524-0119 Rural Municipal Development (1977) $ 3,500,000	525-0176 Rural and Municipal Development (1976) $ 4,000,000	526-0112 Market Town Development (1978-82) $ 5,800,000	527-0178 Integrated Regional Development (1979-82) $ 16,050,000
Post-1979			522-0155 Urban Upgrading (1980-81) $ 200,000 522-0165 Municipal Development II (1980) $ 300,000				

Annex A, Table 1: (Continued)

LOCAL GOVERNMENT SUPPORT PROJECTS

	AFRICA								
	Kenya	Uganda	Nigeria	Tanzania	Botswana	Ghana	Sudan	Zaire	Ethiopia
Pre-1970		619-0019 Institute of Public Admin. (1965-76) $ 838,000	620-0214 Public Service Training (1959-75) $ 2,495,000						
1970-74									
1975-79	615-8005 Nairobi Housing (Funding level unknown)			621-0143 Arusha Planning and Village Development (1978-82) $ 21,164,000	633-8001 Housing Guarantee Program (1976-80) (Funding level unknown)	641-0077 Econ./Rural Dev. Management (1977-81) $ 2,695,000 641-0073 Dist. Plan & Rural Development (1977-82) $ 4,800,000	650-0012 Rural Planning (1979) $ 2,000,000		663-0210 Gemu Gofa Area Rehabilitation (1978) $ 196,000
Post-1979								660-0068 Development of Manpower Training (1980-83 $ 2,594,000	

Annex A, Table 2: Characteristics of Local Government Projects

	Urban[1]	Rural/Regional[1]	Assistance to National Level	Assistance to Provincial/ Regional/District Level	Assistance to Local Level (Municipal/Village)	Capacity Building Primary Objective	Capacity Building Secondary Objective	Training of Trainers or Strengthening of Training Institutions	Training at Subnational[2] Level	Technical Assistance at Subnational Level[2]	Material or Financial[2] Support at Subnational Level
Egypt 263-0021 Development Decentralization		X	X		X	X			X		X
Egypt 263-0103 Basic Village Services		X	X	X	X	X			X		X
Egypt 263-0127 Provincial Cities		X			X		X		X		X
Egypt 263-0143 Decentralized Support		X		X			X			X	X
Egypt 263-0153 Neighborhood Urban Services	X				X	X			X	X	X
Egypt Decentralized Plan & Mgmt.		X		X		X		X	X	X	X
Nepal 367-0129 Rapati Zone		X		X			X		X		
Bangladesh 388-0056 Zilla Roads		X		X			X		X	X	X
Korea 489-0652 Public Administration	X		X	X	X	X			X	X	X
Philippines 492-0236 Provincial Development		X		X	X	X			X		
Philippines 492-0256 Local Development Project		X		X	X	X				X	X
Philippines 492-0297 Rural Roads II		~X		X	X		X		X		
Philippines 492-0298 Real Property Tax Admin.	X	~	X		X	X			X		
Philippines 492-0304 Rural Service Centers	X				X	X			X	X	X
Philippines 492-0318 Fund for Local Devel.		X			X		X				X
Philippines 492-0333 Barangay Water		X	X		X		X		X		X
Philippines 492-0358 Local Resource Mgmt.		X		X		X				X	X
Philippines 492-0361 Municipal Devel. Fund	X				X	X				X	X
Thailand 493-0163 Accelerated Rural Devel.		X		X		X					X
Thailand 493-0215 Need Plan Project		X	X	X		X				X	
Thailand 493-0315 Decentrialized Devel. Mgmt.		X		X		X			X	X	
Indonesia 497-0237 Kabupaten Plan		X	X			X		X	-		
Indonesia 497-0238 Area Devel. Project Plan		X		X		X				X	
Indonesia 497-0246 N. Sumatra Reg. Plan		X		X		X				X	
Indonesia 497-0264 Provincial Area Devel. I		X			X	X			X	X	
Indonesia 497-0276 Provincial Area Devel. II		X			X	X			X	X	X
Indonesia 497-0281 Citanduy II		X	X		X		X				X
Indonesia 497-0308 Local Gov't Training II		X	X					X	-		
Bolivia 511-0082 Local Gov't Assistance		X	X			X		X	-		-
Bolivia 511-0471 Rural Devel. Planning		X	X	X		X		X	X	X	
Bolivia 511-0487 Nat'l Urban Devel. Serv. II		X	X			X			-	-	-
Brazil 512-0122 Municipal & State Admin.	X	~	X			X		X	-	-	

Annex A, Table 2: (Continued)

	Urban[1]	Rural/Regional[1]	Assistance to National Level	Assistance to Provincial/ Regional/District Level	Assistance to Local Level (Municipal/Village)	Capacity Building Primary Objective	Capacity Building Secondary Objective	Training of Trainers or Strengthening of Training Institutions	Training at Subnational[2] Level	Technical Assistance at Subnational Level[2]	Material or Financial[2] Support at Subnational Level
Brazil 512-0240 Sao Paulo Highway		X		X			X			X	X
Brazil 512-0277 Highway Maintenance		X		X			X			X	X
Brazil 512-0280 Health Sector Loan	X		X				X				-
Brazil 512-0302 Municipal & State Admin.	X		X			X		X	-		
Colombia 514-0172 Urban Regional Sector II	X		X				X	X	-		-
Costa Rica 515-0116 Civil & Social Research		~X	X			X		X	-		
Costa Rica 515-0118 Municipal Development		~X	X			X		X	-	-	-
Costa Rica 515-0129 Integrated Rural Devel.		X		X			X			X	
Guatemala 520-0176 Public Admin. (Municipal)		~X	X			X		X	-		-
Guatemala 520-0196 Municipal Devel. Inst.		~X	X		X	X			X		X
Honduras 522-0039 Public Admin. (Personnel)		~X	X		X	X			X	X	
Honduras 522-0091 Civil Development		~X	X			X					
Honduras 522-0109 Municipal Devel. Bank I	X~		X			X					-
Honduras 522-0155 Urban Upgrading	X				X		X				X
Honduras 522-0165 Municipal Devel. Bank II	X~		X			X			-		-
Nicaragua 524-0119 Rural Municipal Devel.	X		X			X				-	-
Panama 525-0048 Gov't Admin. & Fiscal Devel.	X		X			X			-	-	
Panama 525-0176 Rural & Municipal Devel.		X	X			X			-	-	-
Paraguay 526-0112 Market Town Devel.		X	X		X	X		X	X		X
Paraguay 526-0801 Municipal Development		X	X			X			-	-	-
Peru 527-0178 Integrated Regional Devel.		X		X		X				X	X
Kenya 615-0005 Nairobi Housing	X				X		X				X
Uganda 617-0019 Inst. of Public Admin.		X	X			X		X	-		
Nigeria 620-0214 Public Services Training		X	X			X		X	-		
Tanzania 621-0143 Arusha Planning		X		X		X			X	X	X
Botswana 633-0001 Housing Guarantee	X				X	X				X	X
Ghana 641-0073 District Plan & Rural Devel.		X		X		X			X	X	X
Ghana 641-0077 Econ./Rural Devel. Mgmt.		X		X	X	X		X	X	X	
Sudan 650-0012 Rural Planning		X	X	X		X			X		
Zaire 660-0068 Develop Manpower Training		X	X			X		X	-		
Ethiopia 663-0210 So Gemu Gofa		X			X				X	X	X

Notes to Annex A, Table 2:

1 "X" Indicates an emphasis on urban areas. However, assistance to rural areas is also included in the project.

"X" Indicates an emphasis on rural or regional areas, but assistance to urban governments is included in the project.

3 Indicates assistance is provided to local governments indirectly, for example, support is given to a national agency which then lends assistance to lower levels of government.

Source: Constructed by the Authors

ANNEX B

IMPLEMENTATION ISSUES IN LOCAL GOVERNMENT PROJECTS

ISSUE B-1: Whether Local Governments in Developing Countries Adquately Represent Broad Community Interests.

ISSUE B-2: Beneficiary Participation in Local Government Projects.

ISSUE B-3: The Tradeoff Between Efficient Resource Use and Equity in Local Government Projects.

ISSUE B-4: The Tradeoff Between Capacity Building and Production Objectives in Local Government Projects.

ISSUE B-5: Training and Technical Assistance Approaches for Local Government Projects.

ISSUE B-6: The Adequacy of Implementation Time Frames for Local Government Projects.

ISSUE B-7: Generating Resources for Local Government.

ISSUE B-8: Sustaining the Benefits of Local Government Projects.

ISSUE B-1

WHETHER LOCAL GOVERNMENTS IN DEVELOPING COUNTRIES ADEQUATELY REPRESENT BROAD COMMUNITY INTERESTS

In providing assistance to local communities in developing countries, AID has a two-fold objective; (i) to maximize the benefits to the nation as a whole and (ii) to address especially the needs of the poor and disadvantaged majority within that nation. A fundamental justification for local government projects is that they are well placed in the vertical structure to represent local community interests. However, this is not always the case, nor is it easy to ensure.

Communities in developing countries are composed of diverse elements, each with different and often conflicting needs and desires. The interests of various groups within a community may differ in terms of: (i) types of benefits desired; (ii) the priorities attached to various benefits; and (iii) the determination of who will benefit. Indeed, the solution for one group may be the problem of another. In deciding how to allocated new resources, these differences must be reconciled or decisions will be made favoring one group over another. Thus, one argument offered in favor of support to local governments is that it can help protect the rural poor or disadvantaged from the elite who have predominate control over available resources.

However, those very elements of the community which are most powerful often have a disproportionate influence on local decisionmaking and, thus, on the allocation of resources by local government. Power relationships may reflect a number of divisions within the community; including ethnic, socioeconomic, political, male/female, and urban/rural differences. For example, communities are often divided into urban and rural segments (or

sedentary versus nonsedentary). Those in more urbanized areas are often economically better off than those in the rural areas. However, their proximity to urban-based decisionmakers may lead to a bias in favor of urban projects (such as sewer systems or trunk roads) at the expense of rural projects (such as rural feeder roads and small health clinics).

Indonesia's Provincial Development Project (PDP) provides another illustration. That project placed significant emphasis on assistance to small-scale industries. In the context of Central Java, that emphasis was translated into a concern for household industries. The provincial government discharged its responsibilities in that regard by organizing cooperatives. However, it was later learned that the regulations of the cooperatives excluded women from membership, in spite of the fact that: (i) the activities of women accounted for more than 60% of the income produced from non-agricultural household industries; (ii) within such households women made most of the actual investment decisions; and (iii) a large percentage of the households engaged in such activities did not include any adult male members.

In Tanzania, the staff of the Arusha Planning and Village Development project found that the degree of socio-economic differentiation within some local villages was so small that leaders generally expressed the same priorities as other members of the village. It was noted that there are other villages in Arusha Region, however, where pastoralist minorities have perspectives that are different from the agriculturalist majority.

In order to ensure that the majority of a community benefits and that important elements in the community are not bypassed, AID must decide whether local governments sufficiently represent the broad based interests of their communities. In some areas, local governments will be more receptive to community needs than other levels of government or the private sector. In other areas they

will not. It will depend on the context in which a project is established. The representativeness of local governments will vary not only between countries, but within countries as well. Thus, it is necessary to focus efforts on those local governments which are the most representative. However, this will require the establishment of criteria to measure "representativeness." Examples of such criteria may include the existence of popularly elected officials or a low level of socioeconomic stratification within a community.

ISSUE B-2

BENEFICIARY PARTICIPATION IN LOCAL GOVERNMENT PROJECTS

It is now a common principle within AID that beneficiaries should be integrated into project decisionmaking. However, the concept of participation must be defined operationally -- participation by whom, performing what functions, under what conditions, and to what purpose. Participation means very different things to different people. To some it may imply the active involvement of beneficiaries in the policy and management decisions of programs and projects. To others it may suggest only that project personnel listen to the advice and concerns of the beneficiaries prior to making the project decisions themselves. To still others the role of project beneficiaries may be limited to providing the resources and manpower required to carry out those tasks identified by project staff. Similarly, there may be different expectations as to who participates -- the beneficiaries themselves, informal leaders, beneficiary association heads, or local government officials. Differing views among designers, implementors, and evaluators should not be glossed over until they surface as operational problems during implementation.

This is particularly important for local government projects. Local staff may be even less oriented to a participatory approach than personnel at the national level. The latter are far enough away from direct responsibility for project implementation that they can afford to make a philosophical commitment to beneficiary participation. However, government personnel at the local level tend to be less oriented to participation for several reasons:

- They may have a more acute sense of their own perquisites as government officials in a rural environment, and view villagers as uneducated by comparison with themselves.

- Their criteria for what constitutes efficient and effective performance is weighted toward the technical side, since that is what they themselves have been taught.

- Because they must deal with participation at the operational level, rather than in the abstract, local staff will be more cognizant of the difficulties and delays entailed in soliciting and responding to beneficiary inputs.

- Most importantly, they are the people who are held responsible within the government for successful project implementation and who suffer the consequences if project beneficiaries do not perform up to standards.

Special attention, therefore, must be given to operationalizing the concept of participation in project design. A consensus in the abstract does not necessarily result in agreement on specifics. Where there are potential disagreements on the role of beneficiary participation, its successful execution will depend upon the strength and explicitness of the design.

An illustration of why judgments about who participates are important is provided by the Provincial Development Project (PDP) in Indonesia. The design of that project specified its objective as improving the incomes of the rural poor. But who, exactly, were the rural poor? That question was not answered by the project designers. Therefore, project implementation staff were left with the fundamental responsibility of identifying the beneficiary population. As a result, the criteria for selecting beneficiaries varied significantly from one province to another. In the Province of Aceh, it was assumed that everyone at the village level was poor and, therefore, a community development approach was appropriate. In Central Java the appropriate beneficiary group was defined as the "poor but productive" population within villages, leading to a decision that a community development approach was not appropriate. Rather, the project in Central Java focused on specific groups within the village.

Conflicts may also arise between the role assigned to beneficiary participation by project staff and the expectations of the beneficiaries themselves. For example, in the design of Egypt's Basic Village Services Project, village councils were to initiate projects and participate in certain aspects of planning and design. However, it was not necessarily expected that the councils would be responsible for other aspects of project implementation. To the extent that project planning and implementation required technical and managerial expertise not available at the village level, assistance would be provided by provincial government personnel or private contractors. With that broad concept in mind, provincial officials in Qalyubia Governorate contracted a private firm to undertake a construction project selected by a village council. However, the provincial government did so without prior review of the contract by the village council. Following completion of the project, the private firm sought payment from the provincial government which, in turn, requested a transfer of funds from the village council. At that point, the village council refused to transfer the funds because they had not been consulted in the selection of the contractor. Following a considerable delay, the village council finally agreed to the payment; but only after the provincial governor personally promised that his administration would consult the council on all future decisions concerning project disbursements.

Effective beneficiary participation requires involvement in decisionmaking.[1] This includes participation in the identification of beneficiary needs, the setting of priorities, and the determination of project goals. Beneficiary involvement is also important in implementation decisions concerning what will be done, where, how, and by whom. Such decisions include choices between alternative implementation strategies, the mobilization of local resources, the removal or promotion of project staff, and standards by which to measure project success.

Beneficiary involvement in project decisionmaking can contribute to project success in a number of ways. Participation in project design can ensure that a project is addressing the actual needs and priorities of the target group. Beneficiaries can also help identify economic, political, institutional, and environmental constraints to project implementation at the local level that might be overlooked by outsiders. Thus, by contributing to project design, members of the target group can bring a greater sense of realism to the planning process and assist in the adaptation of new ideas to local circumstances. Finally, local control over the amount, quality, and distribution of benefits will improve project effectiveness and ensure that the benefits generated by project activities can be more widely spread.

A second component of beneficiary participation entails the contribution of resources by beneficiaries. Research has demonstrated a positive correlation between beneficiary resource commitments and overall project success.[2] Resource commitment can involve the provision of labor (to construct roads, drainage systems, and so forth) and/or the contribution of material inputs (either cash or in-kind). Beneficiary resource commitments serve several purposes. First, governments do not have the resources to support all worthwhile development activities. Insisting, as a precondition to project approval, that beneficiaries voluntarily commit resources indicates that this is not going to be another government "giveaway" program. Second, the act of making a resource commitment is likely to make the contributors more concerned for the success of the development initiative than might otherwise be the case. Finally, such commitments provide a concrete indication of how interested the community members are in a new initiative.[3]

Table B-1 summarizes the intended degree of participation in project decisionmaking and the provision of local resources for the sample projects. In the design of eleven projects, participation by local government officials in project decisionmaking was expected. Eight projects provided for participation in decisionmaking by the ultimate beneficiaries of the project. In seven projects, counterpart funds were to be provided by the local governments receiving assistance. In only four projects was the provision of resources by the ultimate beneficiaries called for in implementing subprojects.

Numerous approaches can be used to stimulate the participation of beneficiaries in project implementation. Most importantly, project staff time must be explicitly directed towards increasing participation and working with beneficiary groups. Participation does not happen simply because the project design identifies it as an objective. A participatory component must be properly staffed, and incentives and structures provided for it. When such participation is optional or unstructured, project staff may avoid conflict by not involving beneficiaries in the project design and implementation process.

FOOTNOTES

1 N. Uphoff, J. Cohen, and A. Goldsmith, Feasibility and Application of Rural Development Participation: A State-of-the-Art-Paper. Ithaca: Rural Development Committee, Cornell University, 1979.

2 Elliott R. Morss, and others, Strategies for Small Farmer Development. 2 Vols. (Boulder, Colo: Westview Press, 1976).

3 David Gow, E. R. Morss, and D. R. Jackson, Local Organizations and Rural Development: A Comparative Reappraisal. 2 Vols. (Washington, D.C.: Development Alternatives, Inc. 1979).

Table B-1: Project Characteristics: Participation

Projects in Sample	Participation in Decisionmaking		Participation Through the Provision of Resources	
	By Local Government	By Ultimate Beneficiaries	By Local Government	By Ultimate Beneficiaries
Egypt Devel. Decent.	X			
Egypt Basic Vill. Serv.	X			
Egypt Dec. Pl. & Man.	X	X	X	
Philippines Prov. Develop.				
Philippines Local Resource M.	X	X		X
Thailand Decent. Dev. Man	X	X	X	X
Indonesia Prov. Area Dev.	X			
Bolivia Local Gov't Asst.				
Brazil Mun. & State Adm.				
Costa Rica Integ. Rural Dev.	X	X	X	
Guatemala Publ. Adm.-Munic.	X	X	X	
Honduras Munic. Dev. Bank I	X	X		
Honduras Munic. Dev. Bank II	X	X		
Panama Rural & Mun. Dev.			X	
Tanzania Arusha Pl.	X	X	X	X
Sudan Rural Planning				
Ethiopia Gemu Gofa			X	X

Source: Constructed by the authors.

ISSUE B-3

THE TRADEOFF BETWEEN EFFICIENT RESOURCE USE AND EQUITY IN LOCAL GOVERNMENT PROJECTS

Achieving equity in the distribution of benefits may conflict with the parallel objectives of optimizing the use of available resources and achieving an observable impact in the near term. For instance, given a large network of roads to repair and limited resources with which to do it, the choice becomes either doing an ineffective job of maintaining all roads, or maintaining well a fewer number of roads. Similarly, maximizing the construction of new potable water sites might lead to a breakdown of existing sites if the staff and spare parts are not available to maintain them.

This tradeoff is especially important when the target group includes beneficiaries who are relatively isolated. In the absence of roads, transportation, and communication facilities, reaching a large number of remote rural households is expensive. Staff must travel long distances and expend considerable time on the road, with less time available for actual contact with beneficiaries. The requirements, in terms of vehicles, fuel, and so forth, may be great. In addition, relative to the benefits derived, small-scale participatory projects will require a greater amount of staff time than less participatory projects. Thus, concentrating resources on larger and more accessible projects may achieve a more visible impact, affecting a larger number of individuals in a shorter period of time. However, it may also exclude the poor majority from participation in the benefits of the project.

Similarly, the poorer beneficiaries will have fewer resources with which to purchase their way into "self-help" projects. As a result, requiring beneficiaries to pay for services, while stretching the amount of resources available, may lead to the exclusion of those who cannot make the required commitment. Finally, a given investment, when directed at the poorest elements of the community, may have a lower absolute return because they face intractable constraints which a project may not have the resources or mandate to address.

In the local government projects in the sample, the conflict between efficient resource use and equity was manifested in a number of ways. In the case of the Municipal Development Bank (BANMA) in Honduras, the conflict was built into the project design. AID expected that BANMA would give priority in its lending program to small, rural, financially poor municipalities, as a means of ensuring that the benefits of the project went to the rural poor. In addition, within the portfolio of any given municipality, priority was to be given to those projects which most benefitted lower income groups. Yet, AID also expected BANMA to become solvent, even though the less financially sound municipalities would represent greater financial risks to the bank, and projects benefitting the lower income groups would be less likely to be self-financing.

In the Gemu Gofa Area Rehabilitation Project in Ethiopia, remoteness and extreme poverty were used as absolute criteria for the selection of project locations. In Gemu Gofa, the designated project area was in the most inaccessible portions of a remote province; an area without roads or supporting infrastructure of any kind. It was possible for project staff located in the provincial capitol to visit project sites only rarely, and then for only a few days each time. The result was that implementation problems -- especially as they affected beneficiary participation

-- were virtually insurmountable. Inordinate management time and costs were required for a smaller impact than would have been the case if emphasis had been placed on assisting the poor majority within more accessible locations.

ISSUE B-4

THE TRADEOFF BETWEEN CAPACITY BUILDING AND PRODUCTION OBJECTIVES IN LOCAL GOVERNMENT PROJECTS

Building capacity entails an investment of time and resources in project implementation. It is usually quicker, more efficient, and safer for those who are already able to perform a function to do so, rather than to train others to carry out the task. Similarly, in the short term, it will be faster for project staff to undertake activities using traditional or familiar methods, rather than to take the time to learn new, more efficient approaches. Thus, fulfilling a set of short term project production objectives (such as miles of road constructed or amount of credit delivered) may be more rapidly accomplished in the short term if capacity objectives are shunted aside.

The results of capacity building are long term, diffuse and hard to measure. In comparison, the methodology for assessing the quantity and quality of physical outputs is familiar to both implementors and evaluators alike. As a consequence, in evaluating the performance of project staff, the achievement of concrete output objectives (which can be measured) usually receives greater emphasis than the achievement of capacity-building objectives (which are substantially more difficult to measure). The incentive of staff interested in satisfactory performance reports, therefore, will be to focus on achieving these more measurable goals, even at the expense of falling short of the non-measurable goals. Consequently, while considerable commitment to capacity-building may be evident in the rhetoric of higher level officials and project designers, the staff in the field may focus almost exclusively on reaching concrete output goals.

For example, the rationale for the Local Government Assistance Project in Bolivia was that loans to municipalities by the development bank, SENDU, would serve as financial incentives to encourage structural and behavioral changes at the local level. Consequently, each loan was to be accompanied by technical assistance and training, to help identify and address local government problems and build local capacity. However, SENDU's record with respect to the provision of technical assistance and training was poor. In part, this was due to AID pressures to place loans, and a lack of corresponding pressures to ensure that those loans were accompanied by realistic technical assistance and training. As a result, SENDU encouraged simple projects, such as curbs and sidewalks, even though such projects did not have a high development priority. The rationale for this approach was that these projects required minimum supervision by SENDU and were relatively easy to implement. This approach was in accord with the bias of SENDU's top executives, who were architects and tended to think of development in terms of building things, rather than changing people's behavior.

In the case of the Provincial Development Assistance Project (PDAP) in the Philippines, pilot projects in four areas were originally set up to test alternative approaches to increased local planning and management capacity. However, the provinces were seen as not having the minimal level of capacity needed. PDAP-Central personnel, wishing to avoid subproject failures, played a large role in subproject selection and design. Strict requirements were placed on provinces requesting funds for subprojects, and the training provided was standardized, narrowly structured, and oriented tc following procedures specified by PDAP-Central. As a result, there was little experimentation or testing of alternative approaches to capacity building, as was originally envisioned.

From the inception of the Development Decentralization Project in Egypt, the rapid increase in the number of loans extended greatly exceeded the management and administrative capacity of local institutions. Accounting systems, internal control functions, and monitoring and reporting procedures were not sufficiently developed and, as a result, loan funds were poorly managed. The limited host government resources available went toward expediting loan transactions and little attention was focused on learning from on-going experience in order to rectify errors and improve program effectiveness and efficiency.

As the above examples illustrate, action must be taken to address the bias against capacity building objectives inherent in many projects. One means of accomplishing this is to stress the appropriate means/ends relationship between capacity building and production activities in project design, implementation, and evaluation. Most importantly, if the purpose of the project is to improve capacity, then criteria must be developed for measuring improvement in individual and institutional capacity over time.[1] This criteria must then be explicitly incorporated into the implementation and evaluation process. The Philippines' Local Resources Management Project is attempting to do this. In that project, subproject activities financed and undertaken by provincial and municipal authorities will not be viewed as ends in themselves but rather as a means of enhancing local government institutional capacity. Therefore, the volume of subproject activities will be regulated to avoid a situation where the administrative burden of sub-project implementation impedes local government learning.

Another method of addressing the bias is to plan for a gradual improvement in subproject output, rather than a subproject "success." In any case, acknowledging the existence of potential

conflicts between capacity building and production objectives will be a positive step toward resolving potential tensions between these two objectives.

FOOTNOTE

1. See George Honadle, Fishing for Sustainability: The Role of Capacity-Building in Development Administration, Development Alternatives, Inc., Washington, D.C., June 1981.

ISSUE B-5

TRAINING AND TECHNICAL ASSISTANCE APPROACHES FOR LOCAL GOVERNMENT PROJECTS

Focusing Training and Technical Assistance

In improving local government capacity, it is useful to distinguish between three interrelated arenas of action: (i) the system in which an organization operates, (ii) the internal structure of the organization, and (iii) the individuals within that organization. The performance of an organization or institution is a function of its effectiveness and efficiency in each of these three arenas. Distinguishing between them is important because the strategy required to improve organizational capacity will depend upon which of the three is contributing to substandard performance.

Efforts to improve the efficiency of individuals within an organization will have a minimal impact if the organizational structures or internal procedures of the organization provide no incentives for individuals to improve their performance. Similarly, improving the internal organization of an institution will be ineffective if the low level of organizational performance results from systemic factors outside of the organization's control, such as a shortage of resources or lack of cooperation by other agencies. Finally, changing the system may not increase overall performance if there is a lack of capacity in individuals or organizations which make up the system.

Among the local government projects in the sample, this issue was most frequently manifested by project designers concentrating on the "trees" (lack of individual and organizational capacity) and failing to see the "forest" (general system deficiencies). A

pilot project which proceeded the design of the Decentralized Planning and Management Project (DPM) in Egypt, for example, assumed that the primary local government problem was a deficiency in staff planning and management skills. Thus, it was initially assumed that training to improve those technical skills was a priority. However, during the design of actual training workshops, it was discovered that the primary problem was not individual skill capacity but, rather, inadequacies in the overall system for planning and management.[1] That system was deficient in both vertical linkages (those between local governments and the national and provincial levels) and horizontal linkages (those among organizations within the local government). As a result, the training of individual staff was subordinated to a broader strategy of comprehensive system redesign and organizational development.

The Arusha Planning and Village Development Project in Tanzania provides another example. Participants in a training seminar in that project noted that, although they were interested in learning how to prepare better project proposals, the project approval system would not reward their efforts. Most district and regional managers were already obtaining funding for their higher priority projects. Thus, until those reviewing the proposals became more demanding in terms of quality and content, there would be little incentive for local officials to use the material presented in the seminar.[2]

In the Municipal Development Bank Project in Honduras, training was given to personnel in local municipalities. Though the training itself was considered good, the high turnover of personnel within the municipalities meant that much of the benefit from the training was being lost. By the time a mid-term project evaluation was conducted, only 45 percent of the personnel trained were still employed in their respective municipalities.

Although distinguishing between systems, organizations, and individuals is useful for the design of capacity building efforts, all three are closely interrelated and interventions to address problems at each level will frequently be necessary.

Aside from financial assistance, donors support efforts to improve local government institutional capacities through the provision of training and technical assistance. Each of these is discussed below.

Training Approaches

Conventionally, training only addresses individual skill deficiencies. Unless very broadly defined to include technical assistance through on-going counterpart arrangements, training does not normally address the systems design nor organizational development aspects of the problem.

However, because training is too often viewed as a panacea, many local government institution-building projects allocate a large percentage of funds to training. In fact, although many project papers note the importance of systemic and organizational deficiencies, budgetary support for institution-building is most often limited to skills training. Unfortunately, experience suggests that few training activities result in increased organizational capacity. Several common weaknesses of training efforts account for that poor performance:

- Institutionalized Training. The existence of training facilities creates pressure to use them so that the expense of the facility can be justified. As a result, there is often a bias in favor of formal skills training in an institutional setting. Such approaches tend to measure success in participant-days rather than in improved project performance.

- Dictation-Orientation. Much management training assumes a one-way transfer of skills from trainers to trainees, with the emphasis on dictation and absorption. Training often ignores the fact that both technical and managerial abilities exist in abundance in developing countries. Further, it often assumes that the skills possessed by the trainers are the best ones for trainees to learn and that the training will indeed result in organizational change.

- Inference-Orientation. Since the trainees come from multiple organizational settings, they do not have a common experience base from which examples can be drawn for the application of techniques. Learning is, therefore, expected to occur by inference rather than by demonstration.

- Single Level Focus. Many workshops are designed exclusively for groups of supervisors, or middle-managers, or senior management, or executives. Organizational problems, however, are not all horizontal. Many issues involve vertical interactions between levels. Improved organizational performance requires dealing with the organization as a unit and trainee groups should include representatives of multiple levels.

- Over-Emphasis on Organizational Stock. A common assumption in management training is that improved knowledge is a sufficient condition for improved performance. However, raising the stock or organizational resources of an organization by providing vehicles (material resources) or training (human resources) is not sufficient to influence performance until the incentive system is changed.

- Training as a Discrete Activity. The combination of the weaknesses noted above produces a situation where each course or workshop gains an independent identity and becomes a discrete, time-bound occurrence, rather than one component in the process of management development.[3]

Appropriate management training can be an effective technique for achieving improvement at both the organizational and individual level. However, it is unlikely to have a direct impact on systemic change. Further, for management training to be effective, it must be directed toward achieving an improvement in internal organizational efficiency and the ability to function effectively within a changing environment. To achieve these aims,

training needs to be directed to the particular needs of an organization as a whole, use real problems as the basis of learning activities, and enhance the knowledge and skills of staff.

A number of alternative training modes have been used in various projects. These include long and short-term overseas and in-country academic training, on-the-job training, and overseas and in-country observation tours. Each of these approaches has its advantages and disadvantages (see Table B-2). However, in most cases, to meet the particular needs of local organizations operating within a location specific environment, training programs should emphasize on-the-job and in-country short courses involving a critical mass of local decisionmakers and staff.

Technical Assistance Approaches

Technical assistance is often considered a major requirement of many project activities. While the effect of training is limited primarily to changing organizational and individual behavior, technical assistance -- when provided at high enough decision-making levels -- can have an effect on changing structures at the systems level as well. There are four different roles that foreign advisers can play in providing technical assistance: the performer, substitute, teacher, and mobilizer.[4] The characteristics of these four models are presented in Table B-3.

The Performer. One way to employ technical assistance is to simply bring someone in to do a set job. A temporary team or individual performs a specified set of technical activities and then leaves. It may be a job that requires a long-term presence or a short-term visit of a few weeks or months. In either case, the focus is on a product that will result from the activity; be it a road or a report.

Table B-2: Advantages and Disadvantages of Alternative Training Approaches

Type of Approach	Advantages	Disadvantages
Donor Country Degree Programs	• Political benefits for donor as it strengthens ties and mutual understanding between donor country and future decision makers in recipient country.	• Costly in terms of time and money; only a small number of individuals will benefit. • Candidates will be away from their posts for a considerable time and must be replaced or reabsorbed into the organization when they return. • Training is limited to those who speak the language of the donor country. • Training in donor countries is often geared to problems and solutions appropriate to that country, and not to those of importance to the developing countries. • Relevance of the training to the immediate needs of the project may often be low. • Difficult to sequence the return of long-term trainees with the departure of the expatriate technicians to ensure project continuity. • Potential danger of a "brain drain" increases with long-term overseas training if individuals become accustomed to standards of living that cannot be supported by public service employment in their own country. • Persons with advanced overseas degrees are often promoted rapidly into administrative positions and thus no longer use the disciplinary expertise they have acquired.
In-country Short Courses or Workshops	• Can be inexpensive, especially when indigenous instructors are used. • Certificates of attendance or performance can be given, thus improving the credentials of trainees. • Language problem is eased, assuming that the instructors are fluent in the local language.	• Limited to standardized topics and approaches that will be of interest to a relatively wide range of staff; cannot be easily tailored to individual needs. • Requires the absence of trainees from their posts at times that, while convenient for the instructor and the class as a whole, may be inconvenient for the individual and the program to which he is attached. • Difficult to identify individuals who have the technical and training skills as well as language ability to conduct the training sessions.

Table B-2: (Continued)

Type of Approach	Advantages	Disadvantages
On-the-Job Training	• Is very specific to the needs of the project. • There is no interruption of the work schedule; trainee continues performing routine tasks. • Low cost, assuming that an expert is available to assist in project implementation in any case.	• Requires the development of a sound interpersonal relationship and incentive on the part of both parties to serve as teacher or student; these are difficult to mandate or structure into a project. • No academic credentials are accorded so that the training does not benefit the trainee directly in obtaining promotions or increased responsibility. • Language may be a problem if expatriate is not fluent.

85

Table B-3: Characteristics of Four Models of Technical Assistance

Role	Time Frame: Long term	Time Frame: Short term	Observations
Performer model	Product or service focus; temporary team or individual performs specified set of technically oriented activities; emphasis on completion (results); high priority on technical competence.	Product or service focus; team or individual performs specified set of discrete technical activities (e.g., management audit, agronomic analysis); emphasis on correct diagnosis and technically sound recommendations; low emphasis on work process; high priority on technical competence.	1. Useful when quick, very technical job needed. 2. Can be used to justify unpopular but necessary decisions. 3. Bypass effect often undesirable.
Substitute model	Job focus; operational expert (OPEX) from outside does job while local is overseas receiving training; accountable for work; high priority on work experience.	Job focus; a non-resident OPEX on multiple trips or multiple technicians performing different dimensions of the job; high priority on work experience.	1. Short-term solution only. 2. Volunteers appropriate.
Teacher model	Person focus; outsider seen in advisory, not decision-making role; accountable for transferring skills, knowledge to counterparts; priority given to appropriateness of process for transferring predetermined skills; high priority on academic training.	Mixed focus -- person and product; counterparts appointed for short-termers; report seen both as substantive contribution and as teaching device to impart analytical skill; high priority on both writing skills and process skills; high priority on academic training.	1. Desirable focus but often difficult to achieve. 2. Seldom used on short-term basis.
Mobilizer model	Organizational focus; outsider seen in advisory and advocacy role; accountable for getting others to act; priority given to process for enhancing local skills, identifying new skill needs, developing them, and implanting process to carry this on; coalition building and inspiration are critical activities; partnership with short-term TA is very important; high priority on personal commitment, compatability, skills, and credentials that enable outsiders to deal with multiple organizational levels.	Mixed focus -- product and organization; same as long-term focus but higher reliance on mobilizing actions and decisions in specific time frame; high priority on process skills for conflict management; writing skills and process analysis is also important; may not require report on each visit, however; good working relationship with both long-term TA and local groups critical for success.	1. Harder to judge effectiveness than other models. 2. Politically sensitive. 3. High potential as capacity-building strategy.

* Long term refers to a continuous field presence of 12 months or more whereas short term is anything less.

Source: George Honadle, David Gow, and Jerry Silverman, "Technical Assistance and Alternatives for Rural Development: Beyond the Bypass Model," Canadian Journal of Development Studies (Fall 1982).

The product focus leads to a high priority on technical competence as a determinant of quality work. In the case of an analytical exercise, emphasis is on correct diagnosis and technically sound recommendations. With construction, the emphasis is on time, cost, and adherence to the design specifications.

In the road construction component of the Arusha Planning and Village Development Project in Tanzania, technical assistance personnel, regional roads inspectors, and district engineers were intent on achieving planned construction targets. Thus, technical assistance personnel assumed performer roles. However, since they were bypassed, the capacity of Tanzanian personnel at lower levels was not improved. Given this lack of capacity, future maintenance is expected to be inadequate.

Clearly, the performer role can contribute to the temporary improvement of organizational performance by substituting a skilled individual for either an unskilled staff member or the complete absence of a local individual to perform a task. However, it does not contribute to the long term capacity of organizations.

The Substitute. The second model of technical assistance, the substitute, is similar to the performer but is more maintenance oriented and less product focused. The purpose of the substitute role is to fill specific job positions while local personnel are being trained, most frequently in overseas degree programs. The substitute is placed in a direct line position in a ministry staff unit or operating agency. In that position, the substitute is expected to provide routine services rather than produce specific products. As in the case of the performer, the substitute does not contribute to the long term capacity of organizations. Rather, that contribution is deferred until the local staff member -- on behalf of whom the substitute functions -- actually returns.

The Teacher. In this technical assistance model, the outsider is placed in an advisory role rather than in a direct decision making role. A key to this approach is the existance of a local counterpart who is expected to be the recipient of the advice. The interaction between the counterpart and the adviser is the central relationship. Success is defined as the transfer of predetermined skills to the counterpart. Thus, a focus on the individual replaces much of the product or job focus of the performer and substitute models.

The most effective time to employ the teacher model is when specific project objectives can be identified, consensus exists on the strategy, and the skill gaps blocking the attainment of those objectives can be bridged by technical assistance. Because it focuses on the transfer of technical skills to one or a few individuals, however, it does not often achieve a transfer of skills to a critical mass of individuals necessary for organizational development as a whole to occur.

The Mobilizer. The purpose of mobilizers is to assist decisionmakers in identifying those interrelated issues which hinder efficient and effective capacity at the systems and organizational subsystem levels.

Mobilizers combine advisory with advocacy functions. Their purpose is to help a segment of a community, organization or government to increase its capacity to influence other actors. Thus, coalition building, inspiration, and surrogate leadership are key activities.

Since this model emphasizes the ability of technical assistance personnel to get others to act, there is a priority given to establishing a process for enhancing local skills, identifying new skill needs, developing them and encouraging their

institutionalization. Although this model shares some characteristics with the teacher role, it is also different. For example, a mobilizer also requires [redacted] ability to analyze and articulate the process dimension of the work.

Effectiveness in this role requires an ability to interact smoothly with multiple organizational levels. Thus, academic credentials, seniority combined with personal commitment, and the ability to relate to, and communicate with, villagers are highly prized traits. Both verbal and written communications are important and the ability to use informal decision networks is paramount. Thus, the mobilizer model emphasizes the process of stimulating social learning and organizational action.

The four models noted above are ideal types. Field situations may simultaneously or sequentially exhibit signs of more than one pure type. Nevertheless, these models do provide an analytical approach for discriminating among the different expectations of key actors, as well as linking different change strategies to different technical assistance roles.

Unfortunately, distinctions between different technical assistance modes are seldom recognized in the project design process. Choices between them are seldom explicitly made and the degree of fit between institution-building requirements and the type of technical assistance actually provided is most often accidental.

FOOTNOTES

1 See Building Capacity for Decentralization in Egypt: The Pilot Project and Beyond, edited by Tjip Walker from field documents by Jerry Silverman, John Hannah, David Stanfield, Jay Rosengard, and Edwin Charle. Development Alternatives, Inc., Washington, D.C., June 1982.

2 See George Honadle, "Structural Aspects of Capacity-Building, or Who Gets the Fish?" Rural Development Participation Review, (June 1982).

3 See George Honadle and John Hannah, "Management Performance for Rural Development: Packaged Training or Capacity-Building," Public Administration and Development 2:4 (1982).

4 George Honadle, David Gow, and Jerry Silverman, "Technical Assistance Alternatives for Rural Development: Beyond the Bypass Model," Canadian Journal of Development Studies (Fall 1982), forthcoming.

ISSUE B-6

THE ADEQUACY OF IMPLEMENTATION TIME FRAMES FOR LOCAL GOVERNMENT PROJECTS

A development project should be viewed as a process -- a series of steps which progress in a logical sequence towards the achievement of development objectives. Unfortunately, that simple observation is often overlooked when formulating both general development strategies and specific project interventions. Thus, more attention must be given to thinking through the process, to the timing and sequencing of interventions.

The design of sustainable development efforts requires the identification of the specific conditions which must ultimately exist for benefits to be sustained. These will vary according to the specific objectives of a program or project, but may include the availability of financial resources, existence of institutionalized management capacity, achievement of specific production objectives, and so forth. With local government institution building efforts, the primary concern is with the improvement of management capacity, including the ability to establish policy priorities and design, implement, and evaluate project responses.

Once the specific conditions which must exist to achieve sustainability are identified, it is necessary to identify the conditions that currently exist. The difference between current conditions and those required for sustainability defines the gap which must be bridged by a program or project. However, simply specifying the gap and the absolute level and type of resources to be provided is not sufficient for planning and implementation purposes. Intermediate objectives must be identified in order to make the transformation of resources into capacity a manageable process. Intermediate implementation objectives serve as

signposts, dividing one phase of a process from other phases. Each phase is characterized by a specified relationship between the resources to be applied and achievement of the project's objective, such as some degree of improvement in institutional capacity. Each of the logical steps in the process will require time to complete.

Unfortunately, timing estimates made during project design and implementation are often woefully inaccurate, usually underestimating how much time each implementation stage will take.[1] It is more the rule than the exception that:

- It takes longer to get outside personnel and host country personnel in place than anticipated;
- It takes longer for them to develop effective working relationships than anticipated;
- Delays that are not programmed in the delivery of supplies from the outside occur;
- As a result of the above, the delivery of goods and services goes forth in a somewhat haphazard fashion that at times violates the underlying project rationale (for example, the provision of goods and services prior to the commitment of local resources);
- Hoped-for local initiatives do not occur as scheduled; and
- Technical assistance teams are rarely around long enough for the project to become self-sustaining.

Historically, limited attention has gone into developing sound implementation schedules for projects. One manifestation of this is the absence of any clear schedule in many project design papers. Where timing estimates have been made, they have been extremely optimistic when compared with actual rates of project implementation. For example, in the Municipal Development Bank Project in Honduras, the funds provided by AID were to be fully committed within three years and disbursed within three and one

half years. Thus, it was expected that the first subloan request would be approved by the Municipal Development Bank within four months and the first disbursement within seven or eight months. A large level of disbursements were projected to begin within ten months, when construction activities financed by the subloans were expected to get underway. As it turned out, there were no disbursements by AID for over fifteen months and, in the first two years, just over one half of one percent of the $3.5 million loan was disbursed. As a result, an extension of the life of the project was necessary.

The most obvious source of the bias towards underestimating the time required for implementation is the administrative milieu in which AID and other foreign donors operate. There is considerable pressure on design teams to fit projects into the traditional time frame of the bureaucracies which approve funding. Originally, for example, it was estimated by AID/Panama that it would take five years to implement the Rural and Municipal Development Project. The primary emphasis during the first year was to be on building the institutional capacity necessary for the project. AID/Washington policy at that time, however, required that all projects be designed to be completed within three years. Therefore, the project was "designed" to cover a three year period. It was approved and, ultimately, took five years to complete. The pressures for quick results are just as great within recipient countries, even though developing country personnel at the implementation level often have a better appreciation of the time actually required.

It takes time to build the capacity of local government, create a beneficiary organization, train staff, or construct a rural health clinic. Estimates of just how long such activities will take can be obtained through discussions with experts or a review of the experiences of similar projects. Various activities will take longer to complete than others, while certain types of

projects will require a longer commitment than others. The recognition that institutional development takes an extended [redacted] been done about it. Moreover, pressure to achieve production or income targets within limited time spans often subordinate capacity building requirements and the testing of new management arrangements.

The best institutional development efforts seem to be those that proceed by continuing incremental changes through trial and adoption. Yet few projects allow such a process to take place. Ten years is probably a minimum time span for projects which require a significant level of institutional development. The four to five year project cycle is almost always inadequate.

The recognition that four years did not provide sufficient time to develop local capacity finally occurred to the managers of the Provincial Development Program (PDP) in Indonesia during the third year of that project:

> We now realize that a four to five year life-of-project time frame is unrealistic with respect to establishing strong local government planning and management capability and for achieving sustained rural development objectives of the magnitude required by the PDP. PDP will therefore follow a "building-block" approach for upgrading local government based on the recognition that each province requires assistance for approximately ten years to (i) design, test, refine, and expand concrete mechanisms for assisting rural poor groups to increase their productive capabilities and incomes, and (ii) train personnel and upgrade institutions, and perfect and master necessary administrative procedures.[2]

Related to the duration of a project is the actual sequencing or phasing of activities. This does not necessarily imply tight linear scheduling of project activities. Realities in the developing world preclude such scheduling. Nevertheless, certain things should come before others. For example:

- Foreign technicians should not be brought in before counterparts, housing, and other supporting services are available;
- Loans should not be extended until effective uses for the funds have been identified or the staff needed to provide the required technical assistance is employed;
- Certain basic infrastructure -- such as potable water systems -- should not be installed before there is a local appreciation of their benefits;
- There is no point in developing a monitoring and evaluation system before the potential users have shown enthusiasm for it.

One commonly sees, for example, the overloading of fledgling administrative infrastrutures by an excessive infusion of both resources and tasks. In the Indonesia Provincial Development Program (PDP), sizable credit programs were introduced in several participating provinces. In some cases, particularly Java, these programs have been quite successful. In some outer island provinces, however, the administrative base was relatively weak and the attempt to expand credit programs prior to the improvement of local government management systems failed.

In addition to the internal logic of a project, an important factor determining project success is the compatability between the project and its external environment. The project's organizational structure, activities, and objectives must take into account the limitations placed on it by the environment. One cannot assume the existence of roads that are not there, nor levels of institutional capacity which do not exist. Though a project may affect its external environment, it cannot control it. Nor can the project greatly influence how that environment changes over time. Consequently, the burden of maintaining congruence over time with external conditions will be upon the project itself -- through changes in its structure, activities, and objectives.

It is often quite difficult to predict the changes taking place in the external environment. Therefore, a project's implementation [redacted] implemented -- in terms of both timing and sequencing -- is compatible with those external changes.

FOOTNOTES

1 Elliott R. Morss and Jerry VanSant, "Timing," IRD Problem Essay (Revised Draft), Washington, D.C.: Development Alternatives, Inc. June 24, 1982.

2 Agency for International Development, "Draft PID for PDP III," (Jakarta: USAID/Indonesia, March 24, 1982).

GENERATING RESOURCES FOR LOCAL GOVERNMENT

The availability of resources at the local level is a necessary, although not sufficient, condition for the creation of a viable local government system. However, central governments are usually reluctant to either provide adequate tax raising authority for local administrative units or to share national revenues through block grants with localities. Consequently, local authorities are usually heavily dependent on the central government for financial support.

Experience in several countries suggests that actual local decision making will be limited unless there is local control over finances and other resources. For example, in Egypt, local planners have been, in practice, limited to selection of project packages offered by central ministries in the form of "shopping lists". Projects are standardized and do not take into account local circumstances. Nor are they integrated cross-sectorally so as to contribute to comprehensive area planning concerns at the local level. In other countries while local officials control some resources, amounts are very small when compared with that available directly from line ministries. That has substantially reduced local leverage over technical agencies whose participation is required for effective area planning and implementation of development at the local level.

The Decentralized Development Project in Thailand is exploring a number of options for encouraging local government to assume a role in financing the recurrent costs of completed subprojects. One option is to earmark a portion of local tax revenues towards meeting maintenance costs. However, such a

measure would reduce local government discretion over an already limited revenue base, particularly as maintenance costs increase with the completion of more subprojects.

In actual practice decentralization often takes the form of delegated authority to implement discrete projects funded and monitored by national level agencies. Even then project managers and beneficiaries may not have discretionary control over resource use. Approval for any expenditure of monies above minimal amounts is often required from higher authorities even if management authority ostensibly resides at the project level. Under such circumstances, assuring "local autonomy" and "beneficiary participation" in projects supported by donors is impossible.

Financial resources can be made available in several ways. Table B-4 presents the specific approaches used by the projects in the sample. Eight of the projects sought to increase the tax revenue base at the disposal local governments. Often this was done through financing cadastral surveys and internal tax administration reform. Eight projects attempted to increase the revenues available to local governments from outside resources, either through direct loan programs or by increasing their ability to secure central government funds. Five projects aimed at mobilizing beneficiary resources for community development efforts. Another seven projects focused on creating income generating activities. Finally, in four projects no apparent attempt was made to increase local governments' resource base.

In the Local Resource Management Project in the Philippines a major emphasis will be on improving the fiscal performance of local government. Particular attention will be focused on financial management and budgeting, local taxation, and the use of credit financing. This will involve not only addressing the shortcomings in local tax administration, but also changes in central fiscal practices which affect local government

Table B-4: Project Characteristics: Local Resource Base

	Attempt to Increase Resource Base of Local Governments Through:			
	Increasing Tax Revenue Base	Revenue Sharing/ Loans	Beneficiary Provision of Resources	Income Generating Activities
Egypt Devel. Decent.				X
Egypt Basic Vill. Serv.		X		
Egypt Dec. Pl. & Man.				
Philippines Prov. Develop.				
Philippines Local Resource M.	X	X	X	
Thailand Decent. Dev. Man		X	X	
Indonesia Prov. Area Dev.				X
Bolivia Local Gov't Asst.	X			
Brazil Mun. & State Adm.				
Costa Rica Integ. Rural Dev.				
Guatemala Publ. Adm.-Munic.	X	X		X
Honduras Munic. Dev. Bank I	X	X		X
Honduras Munic. Dev. Bank II	X	X		X
Panama Rural & Mun. Dev.	X	X	X	X
Tanzania Arusha Pl.	X	X	X	X
Sudan Rural Planning	X			
Ethiopia Gamu Gofa			X	

Source: Constructed by the authors.

performance. Efforts will be needed especially to overcome the fiscal conservatism of local government authorities, and increase their use of the legal tax and borrowing opportunities that are available. In other cases (such as Honduras and Guatemala), programs aimed at increasing the tax base through improved management and cadastral surveys have been successful. In the case of Honduras, assistance under an AID local government project led to a doubling of the tax revenues of participating municipalities.

The financial strength of local governments can also be improved by increasing their ability to obtain outside resources. This can include revenue sharing, block grants, or loan programs. With revenue sharing, a percentage of local taxes are returned to the locality to be used for development activities. With a block grant approach, the central government makes a grant directly to local authorities for financing such activities. The third method, loan programs, has been used extensively in Latin America. In three of the countries represented in the sample (Guatemala, Honduras, and Panama), municipal development banks have been created for the purpose of providing loans at concessional rates to municipal governments.

Another way to generate financial resources is to have potential beneficiaries voluntarily commit resources of their own. Such commitments can be either in cash or in kind and can be generated in a variety of ways: from membership fees, from quotas determined by family size, or from some sort of recycling of project benefits.

Income generating activities are another source of financial revenues. Income generating activities differ from resource commitments by beneficiaries in that the latter are usually contributions made at the time of project start-up. Income-generating activities produce income on a regular basis to cover

the operating costs of ongoing activities and to finance new ones. Examples of income-generating activities include charging a user's fee for services provided (as happens in many indigenous water-users' associations and cooperatives) and establishing an enterprise specifically devoted to raising funds for the local organization and its activities (such as a store, a communal plot, money lending, hiring out labor, and the like).

The development of income generating activities must evolve hand in hand with organizational capacity, to be effective. This has been a problem in the Development Decentralization Project in Egypt. That project has assisted local governments in financing income producing subprojects. The profits from these subprojects are supposed to be transferred to the development budget of the village council for investment in the provision of local services. However, for various reasons, including poor project selection, deficiencies in monitoring the administration of local projects, and irregularities in local management practices, a number of the income producing projects are operating at a loss. In other instances, income from profitable operations is not being transferred to the control of the local village councils, as required.

Finally, a method of increasing local control is, to funnel project resources directly to the regional or local level. However, the Arusha Regional Planning and Village Development Project in Tanzania was the only project in the study sample which took that approach. In each of the remaining projects in the study sample, AID funds were funneled through some intermediary organization, either a development bank, a central line ministry, special coordinating entity, or private voluntary organization. No matter what approach is employed, however, the availability and control of resources at the local level is critical to ensuring local government autonomy.

ISSUE B-8

SUSTAINING THE BENEFITS OF LOCAL GOVERNMENT PROJECTS

The overriding objective of development initiatives is to generate self-sustaining improvements in human capability and well being. If activities cease once scarce outside resources are withdrawn, so will the flow of benefits. The investment necessary to initiate a benefit stream is usually large relative to the size of the benefit stream that results. For example, the investment involved in constructing or rehabilitating an irrigation system, is much greater than that involved in efficiently maintaining and operating it once it is built. Yet the benefits derived from keeping an existing system going are as great as those from the construction of a new one. Consequently, unless the infusion of development resources can create a self-sustaining benefit stream, the outcome will not justify the expenditure of the scarce resources involved. Past experience provides numerous examples of development projects that have ceased to exist once outside funding stopped. Indeed, the record with respect to sustainability is deplorable. Consequently, greater attention must be given to building sustainability into development efforts.

With respect to local governments, the sustainability of benefits can be affected by several factors.[1] An adverse political setting, including conflicts between national and local levels over the control of resources, may undermine a central government's commitment to strengthening or maintaining a local government system. Similarly, macroeconomic policies (for instance, the centralization of taxation authority or inadequate investment in rural areas) may weaken local governments. Further, projects financed by donors or local governments may involve the delivery of excessively expensive goods and services which the

recipients cannot pay for over the long run. Likewise, a failure to customize delivery systems to local conditions may lead to investments which are inappropriate for the setting and ultimately unreliable.

Over the long run, local governments will not be able to provide services unless they are generating revenues that are adequate to pay for those services. Such revenues can come from taxation, user fees, or reliable outside sources. Limited institutional and individual capacity at the local level, combined with a failure to develop that capacity during the life of a project, can undermine long term sustainability. Local governments must be able to effectively manage the material and manpower resources at their disposal to ensure long run project viability. Finally, an adequate amount of time must be permitted for the investments in local governments to mature and take effect. Institutional capacity-building, in particular, is a long term process which is particularly important for sustaining local government initiatives.

The question arises as to whether projects directed towards increasing the involvement of local governments have any better chance for sustainability than other approaches. Local governments may have some advantage over beneficiary associations, project management units, and so forth, because they are permanent institutions with a legal mandate to provide services. Local governments may also be in a better position than national government officials or other outsiders to assess the community's needs because they have a staff drawn from the local area. However, local governments also face institutional weaknesses which may limit the sustainability of their development efforts. Perhaps the most severe internal constraint is the lack of those resources -- including facilities, equipment, and trained manpower -- necessary to ensure that project activities continue after the

outside assistance ends. As a result, one of the most important tasks for ensuring the sustainability of local government-generated benefits is capacity building at the local level.

FOOTNOTE

1. Elliott R. Morss, Paul Crawford, and George Honadle, "Toward Self-Reliant Development: A Guide for Evaluating the Sustainability of Project Benefits," (Washington, D.C.: Development Alternatives, Inc., May 1982).

ANNEX C

QUESTIONS FOR ASSESSMENT AND DESIGN OF LOCAL GOVERNMENT PROJECTS

Annex C, Table 1: Questions for Design of Local Government Projects

Questions	Assumptions	Type of Data Needed
What functions is the Cental Government prepared to delegate to Local Government: political autonomy; administrative autonomy; revenue generation?	If there is little interest from the Central Government in granting some level of autonomy to local government the prospects for initiating a significant process of decentralization is limited.	• Evidence of legislative or administrative enactments on local government autonomy. • Responsiveness and interest by sectoral and non-sectoral agencies (e.g., finance, planning, home affairs) in strengthening local government.
If beneficiary participation is an important element of a proposed AID project, how is it defined: participation participation by who, performing what functions, under what conditions, and to what purpose?	A failure to specify how beneficiary participation is to proceed within a particular context will result in local and/or national level officials dominating the decision-making process.	• Evidence of beneficiary capacity to help finance local development projects. • Identification of existing formal and informal channels for beneficiary participation in local decision-making. • Extent to which target beneficiaries are or can be organized to exercise decision-making roles.
What kind of incentives do local government officials have for promoting greater beneficiary participation in project design and implementation?	Without positive inducement, it is likely that local officials will remain indifferent or hostile towards beneficiary participation.	• Availability of adequate transport to undertake field site visits. • Availability of adequate per diem for field site visits. • Evidence of personnel system rewards which encourage individual efforts to build community involvement.
Does the proposed AID project design clarify what discretionary authority local government can exercise in the design, implementation, and funding of development programs?	In the absence of specific clarification of local government perogatives, local decision-making is likely to be dominated by national level officials.	• The role of the central government in the approval of local government projects and whether approval criteria are stated in precise operational terms. • Evidence of local government control over financial resources and budgetary allocations at the local level.
If local government is to be given a greater role in revenue generation is there an indication of what strategies will be employed?	In the absence of revenue generation strategies, central government policies will continue to constrain local government revenue generation and the dependence of local government on central government financial decisions will continue.	• Evidence of central government responsiveness to revenue sharing or delegation of taxing authority. • Evidence of local government responsiveness to exploring innovative revenue generating strategies.

Annex C, Table 1 (Continued)

Questions	Assumptions	Type of Data Needed
If an AID project is being designed to strengthen local government capacity, what factors need to be considered to prevent quantitative outputs from overriding the concern for qualitative improvements in institutional capacity?	Without a clear understanding of the importance of building institutional capacity, project objectives will shift to more measurable output criteria during implementation.	• Extent to which local and national officials recognize the need for action-learning approaches to project design and implementation. • Willingness of local and national officials to tolerate ambiguities and uncertainty in problem definitions and program results. • Willingness of local and national officals to allow and to learn from mistakes.
How can equity concerns be reconciled with the pressure to demonstrate immediate gains in social and economic improvements?	Without explicit strategies to address lower income households, project resources will be allocated to more accessible households, where economic and social returns can be generated with less risk and administrative investment.	• Level of central and local government commitment to targeting assistance to low-income households. • Willingness on the part of local and central governments to test innovative approaches in the design and implementation of assistance to low-income households. • Willingness of local and national government to allocate additional personnel to manage projects aimed at proverty areas and/or low-income households.
What factors are likely to affect the sustainability of benefit streams once AID life-of-project funding is completed and how can project designers address problems in that regard?	Unless attention is focused on building host country funding sources in the early stages of project design and implementation, this issue is likely to be ignored as the project progresses towards completion.	• Degree of macro-economic policy and political support for project activities. • Assessments of cost-effectiveness of technologies and/or service delivery systems. • Evidence of government resources and incentives to carry on project activities without outside assistance.
What criteria will be utilized in scheduling and measuring the implementation progress of local government projects?	Without a realistic schedule, including appropriate timing and sequencing of project inputs and the specification of "signposts" which measure implementation progress, it is likely that project management staff will focus on short-term crisis-management requirements at the expense of long-term institutional development goals.	• Evidence of local government strengths and weaknesses with respect to policy formulation and project design and implementation capacity. Assessments of the skills and organizational processes needed to address specific administration deficiencies.

Annex C, Table 1. (Continued)

Questions	Assumptions	Type of Data Needed
Are shortcomings in local government performance a function of deficiencies in individual skills, organizational operating procedures, and/or the planning and management systems which support local government action?	In the absence of adequate analyses of host country organization and systems issues, technical assistance inputs will likely focus on individual skills training and overlook the need for more basic changes in administrative procedures and structures.	• The degree of integration between local and national planning and management procedures. • The extent to which the acquisition of new local government functions need to be supported by the adoption of new organizational procedures. • The extent to which local officials are equipped to address new development tasks.
What combination of intervention techniques will be most appropriate in addressing local government performance needs?	Without an appropriate match between local government needs and technical assistance inputs, donor funded intervention techniques will fail to improve local government capacity.	• Extent to which development tasks to be undertaken by local are entirely new and will require the development of new skills and organizational procedures. • Extent to which other organizations will need to be mobilized to support improvements in local government efforts. • Evidence of local government organizational capacity.

Annex C, Table 2: Questions for Assessment: Relative Efficiency/Effectiveness of Local Governments

Questions	Assumptions	Type of Data Needed
What development roles are currently being performed by local governments within the country?	In many developing countries local governments undertake a wide range of roles some of which they are equipped to perform well, and others less so.	• Past record of experience with respect to local government involvement in infrastructure investment, human resource development and social service delivery, and investment in agricultural and industrial production.
What development roles are currently being performed by other institutions within the country?	There is considerable variability in the experience and capacity of the public and private sectors for involvement in local development.	• Evidence of community based self-help organizational capacities and activities at the local level. • Evidence of private sector investment in rural areas.
What are the comparative advantages and disadvantages of institutional alternatives in the performance of those roles?	Most profit oriented enterprises will not invest under conditions where technological risks or economic uncertainties exceed the prospects for compensatory economic return.	• Extent to which local government can adopt measures which reduce unpredictable market conditions. • Extent to which local government can utilize local non-profit community service organizations to pioneer new development approaches in risk reduction for productive investment. • Extent to which local government can influence or subsidize central government agencies or private sector firms to undertake R and D efforts for technological innovation.
What are the primary goals of the central government in seeking to expand the role of local government?	There will be considerable variability in central government intentions towards local governments. In some instances central governments will seek to expand their control over local initiatives, whereas in other cases they will seek to foster them.	• Recent history of national political stability or instability. • Degree to which local government authorities share common political outlook with central government.
Should local governments assume primary or supporting responsibilities in the development process?	Considerable country variation will be encountered in the willingness of local public and private sector organizations to cooperate and assist each other in the development process.	• Degree of past and current politicization and partisan divisiveness within local government and community organizations. • Past and current attitudes of local government towards participation of private sector organizations in the development process. • Past and current perceptions of local private sector towards cooperation with local government authorities.
Are government actions with respect to market interventions motivated by ideological or pragmatic concerns?	The opportunity to define an effective role for local government in the development process will be more easily accomplished in those situations where central governments view the role of the market in relatively pragmatic terms.	• Level and basis of existing and possible antagonism between the government and private sector activities at the local level. • Extent to which demand for basic goods and services exceeds supply. • Extent to which markets are viewed as open or controlled by non-indigenous elements.

Annex C, Table 2 (Continued)

Questions	Assumptions	Type of Data Needed
What factors account for the failure of markets to equitably distribute social and economic benefits, and what corrective actions can local governments undertake to address this problem?	Some spacial areas and social strata, either by virtue of their remoteness or lack of effective bargaining power, will not be serviced by markets.	• Evidence of a need for local government investments to overcome market entry barriers resulting from infrastructure deficiencies, information and technological constraints, and/or insufficient production assets at the firm or household level.
What evidence is there that local governments are capable of assuming certain entrepreneurial and/or managerial roles in the operation of market oriented enterprises?	Without specific structural inducements most local governments will not operate market oriented enterprises in an efficient and effective manner.	• Extent to which central and local governments will resist providing subsidies to public enterprises. • Extent to which central and local governments provide management autonomy to public enterprises. • Extent to which central and local governments provide performance incentives to public enterprise.
What impact will local government investments have on the expansion or contraction of local private sector activity?	Local government actions can have significant positive or adverse impacts on private sector capacities.	• Extent to which local government investments in infrastructure are designed to induce market expansion. • Extent to which government investments to improve human resource and social service delivery utilize local social service organizations. • Extent to which local and central government agencies employ new or existing private sector organizations as channels for investments in agricultural and industrial production at the small firm or household level.
Do local governments within a particular country have the potential to more effectively and efficiently administer programs which are now being implemented	In principle local governments may be able to undertake some tasks more effectively than the central government. In specific situations, however, the evidence may suggest otherwise.	• Evidence that local elites will not favor or disciminate against certain social strata in the distribution of benefits. • Evidence that an adequate administrative and technical base exists at the local government level which can assume a greater role in the development process.

ANNEX D

FUNCTIONAL APPROACHES AND INSTITUTIONAL CHOICES

ANNEX D

FUNCTIONAL APPROACHES AND INSTITUTIONAL CHOICES

ANNEX D. DEVELOPMENT FUNCTIONS

What is the range of functions that must be performed if development is to occur?

This section addresses the above question by examining the range of development functions and discussing the relationship between the market and political objectives.

The development process requires that a broad spectrum of complementary functions be accomplished. How these functions are to be carried out depends upon the particular tasks required and the policy and institutional options realistically available within specific country contexts.

Investments in development can be usefully divided into three interrelated categories: These are the provision of (i) basic infrastructure; (ii) social services for human development; and (iii) production oriented investment. A conventional definition of the role of government is to view the public sector as the provider of public goods; i.e., basic infrastructure and social services for which there is either no incentive for the market to supply, or -- in those cases where such incentives do exist -- public regulation is required for the safeguarding of the public interest. Thus, governments are most often the source of major investment in basic infrastructure (e.g., roads, bridges, dams) and are major actors in the financing and regulation of the energy and transportation sectors.

Investments in basic infrastructure provide the preconditions for economic development. If well planned, they are likely to spur the growth of agriculture and industry. However, although investments in basic infrastructure are necessary, they do not -- by themselves -- provide sufficient conditions for generating increases in production or the surplus income required for self-generating expansion of adequate levels of investment for domestically sustainable development.

Another type of development function is directed toward human development. The rationale for investing in such socially oriented services is based on an argument similar to that for the provision of basic infrastructure; that is, the improvement of both human and physical infrastructure is a precondition for self-sustaining development. As in the case of basic infrastructure, incentives for the market to supply basic social services might not exist or minimally acceptable standards might need to be regulated. Thus, for example, government normally assumes responsibility for the provision of at least minimally acceptable education and health care services (although the private sector might provide competing services or be given the responsibility by government for the provision of such services).

A third type of development function concerns activities which are not directed merely at the establishment of the preconditions for development. This set of functions includes efforts to directly foster industrial and agricultural growth. In those cases, an entrepreneurial role is required. Government has sometimes assumed that conventional private sector role. By performing such functions, government complements, competes with, and/or displaces market practices. Thus, governments may be engaged in financing and, perhaps, directly operating a wide range of enterprise activities (e.g., food processing, fish farming, dairy production, livestock fattening, ice making, handicrafts,

machinary repair, brick making, and so forth). The scale of these operations may vary from that of small or medium-scale enterprises to large-scale parastatals. The motives for engaging in such activities vary; from seeking to generate income and employment for low income households to generating revenue for government budgets. Government involvement in the production of goods and services -- either in competition with or in support of the private sector -- raises issues about the appropriate role of the public sector vis-a-vis the market and the comparative advantage or disadvantage of government involvement in such activities.

The range of development functions distinguished above can usefully be visualized in terms of a spectrum, as illustrated in Diagram 1.

DIAGRAM 1

SPECTRUM OF DEVELOPMENT FUNCTIONS

PUBLIC GOODS		PRIVATE GOODS
BASIC INFRASTRUCTURE	SOCIAL SERVICES	PRODUCTIVE INVESTMENT

Viewed from left to right, the spectrum shifts from the provision of basic infrastructure through the provision of social services to the financing and/or management of: (i) production units in the industrial and agricultural sectors and (ii) supporting service units; such as marketing and transportation enterprises.

MARKET/NON-MARKET FORCES

Three recent AID papers on the private sector [1] have emphasized that the development role of that sector must be understood in terms of the degree to which the market process is allowed to operate within a particular country. Whether or not the market process is allowed to operate, may be a more important distinction than whether or not the principal development role is assigned to the public or private sector. In any event, it is generally accepted that the private sector role is most appropriately performed in the context of a market.

A market is regulated by the interaction between supply and demand. The seller's motive for providing the good or service is profit. Therefore, he must be able to provide the product to buyers who are both willing and capable of paying a price which covers both the costs of production plus a reasonable excess to the producer.

To satisfy the interests of the seller, there must be enough demand to provide a profit margin sufficient to justify the investment. The buyers' interests require that the price be as low as possible. Thus, a critical mass of demand is fostered by a large market populated by people with sufficient capital; low prices are fostered by competition between sellers operating as efficiently as possible. Both buyers and sellers must have capital available to them; the one to pay the purchase price and the other to produce the goods and services. Finally, for a pure market system to work most efficiently and effectively, sellers must be free to determine the terms of their exchange based on calculations of their own interests.

However, the market is not allowed to operate in its pure form within any country in the world. All governments everywhere place some restrictions on the operation of markets. Thus, the

difference between countries in that regard is the degree to which the market is allowed to operate, and within which economic areas it is allowed to operate.

Why do governments intervene in the market? AID's recent Private Sector Summary identifies the following reasons:

- Governments don't believe markets work (i.e., ideological predispositions);
- Sometimes markets don't work (i.e., market failures); and/or,
- There are more important concerns than economic efficiency (i.e., noneconomic political pressures).[2]

The spectrum of basic infrastructure, social services, and productive investment introduced above is based on an understanding of how and under what conditions the market operates in actual practice within mixed economies. It is generally accepted that - all other things being equal - the market operates most effectively at the right end of the spectrum. Market incentives are less pronounced towards the left end of the spectrum.

In order to understand why the market sometimes does not work in developing countries, it is necessary to look at conditions limiting the efficiency of the market on both the demand and supply sides of the equation.

DEMAND

- Markets outside of large urban areas are too small and dispersed.
- Suppliers have inadequate information about consumers' actual and potential needs and buying preferences in rural areas.

- A critical mass of consumers have insufficient capital to generate sufficient purchasing power.

SUPPLY

- Availability of management and technical skills within the private sector is inadequate
- Sufficient investment capital is not available.
- The transportation systems required to achieve critical market mass within the nation as a whole are inadequate.
- Access to energy sources is inadequate.
- Because of scarce capital and skilled human resources and limitd and concentrated domestic markets, much of the private sector is dominated by monopoly firms.
- Profit oriented private sector firms are not well established within those fields requiring long term investments.[3]

Thus, governments in developing countries often intervene in the market to redress limited market penetration caused by the lack of capacity on the part of both buyers and sellers.

Government interventions can take many forms. At a minimum, most governments determine commercial laws which govern transactions; money supply; currency exchange rates and controls; and standards and uniform measures. Further, governments in most LDCs establish macro-economic policies which favor particular types of industries, determine the nature of production systems, attempt to regulate the costs of credit, and create other economic incentives or disincentives through systems of taxation and duties. Finally, governments participate in the market as both buyers and sellers. They are often the largest purchaser of goods and services; in many situations they dominate the demand side of the market equation. As sellers, they often own and/or manage state enterprises in addition to providing basic infrastructure and social services.

Political, rather than economic, objectives are generally utmost in the minds of most political leaders. Governments often make decisions which interfere with market outcomes in order to achieve some political objective.

AID's recent Private Sector Summary distinguished between two alternative political styles ideological or pragmatic, which largely determine the approaches adopted by government to achieve its objectives. It argues that:

- The determinants of economic policy lie in the realm of political style.
- The less ideological, the more confident, the more effective, and the more stable a political leadership is, the more likely are economic decisions to reflect pragmatism.
- Since markets tend to work, pragmatism leads to market orientations.

However,

- The most important political consideration, which markets deal with only tangentially, is equity in the distribution of goods.
- Thus, political decisions are made which are not economically efficient but achieve legitimate political goals.[4]

It is clear, depending on the actual conditions which exist in a particular country at a particular time, that a wide range of options are theoretically available for drawing public/private sector and national/local level boundaries for the achievement of those legitimate political goals.

Unfortunately, in most developing countries legitimate political goals have been combined historically with an ideological perspective. Although that perspective has been changing during recent years at varying rates within developing

countries, the legacy remains. Thus, within most developing countries, government has assumed the responsibility for the whole range of functions encompassed within the spectrum of development r les.

FOOTNOTES

1 Agency for International Development, A.I.D. Policy Paper: Private Enterprise Development (Washington, D.C.: U.S. Agency for International Development, May 1982); Private Sector: Ideas and Opportunities; A Review of Basic Concepts and Selected Experience (Washington, D.C.: A.I.D. Program Evaluation Discussion Paper No. 14, June 1982); Private Sector Summary (Washington, D.C.: Agency for International Development, August 1982 [mimeo]).

2 Private Sector Summary, op. cit., p. 52.

3 Adapted from Private Sector: Ideas and Opportunities, op. cit.

4 Private Sector Summary, op, cit., p. 51-62, 93.

ANNEX E

BIBLIOGRAPHY OF PROJECT DOCUMENTS

BIBLIOGRAPHY OF PROJECT DOCUMENTS*

Egypt — Basic Village Services — 263-0103

Asmon, I., "Technical and Economic Aspects of Egyptian Basic Village Services Program." Cairo. April 1979, 95 pp.

"Integrated Rural Development in Egypt." ORDEV-Organization for Development of Egyptian Villages. January 1980, 34 pp.

"Technical and Financial Assessment" Report to Arab Republic of Egypt, Ministry of Local Government & USAID/Cairo. Development Alternatives, Inc., February 1980, 179 pp.

Project Description. May 1980, 28 pp.

Mickelwait D., and others. "Monitoring and Evaluating Decentralization: The Basic Village Services Program in Egypt," prepared for USAID/Cairo. November 1980, 192 pp.

PES 81-4. April 1981, 111 pp.

Doherty, Victor S., "Social Science and Development Planning in Rural Egypt." Prepared for USAID/Cairo. July 1976, 22 pp.

Egypt — Development Decentralization I — 293-0021

Project Paper. Development Decentralization I -- Egypt (263-0021) January 15, 1978.

Kerr, Graham, Gary Kilmer, and Gerald Miller, Midproject Evaluation of Development Decentralization I (263-0021) October 4, 1981.

Regional Inspector General for Audit, Audit Report on Assessment of AID's Development Decentralization I Project in Egypt (263-0021). Audit Report No. 6-263-82-7. July 7, 1982.

*PES = Project Evaluation Summary
PAR = Project Appraisal Report

Philippines — Provincial Development Assistance Project — 492-0256

"Accelerating Provincial Development in the Philippines" A General Evaluation of the Joint Philippine-American Evaluation Team. September 1970, 35 pp.

Johnson, Robert G. "The Provincial Development Assistance Project." for USAID/Manila. August 1980, 102 pp.

"Potentials and Limitations." Manila. November 21, 1972, 53 pp.

"Project Description." For USAID/Manila. August 1980, 102 pp.

Philippines — Local Resource Management — 492-0358

Project Paper. Local Resource Management (492-0358) USAID/Manila, June 1982. Two volumes.

Thailand — Decentralized Development Management Project — 493-0315

Project Paper. Thailand Decentralized Development Management Project (493-0315). August 1981. Two volumes.

Indonesia — Provincial Area Development I — 497-0264

Project Paper. Proposal and Recommendation for the Review of the Development Loan Committee, USAID.

"Training Trainers in Project Planning" Semarang, Indonesia July 23-August 31, 1979, 148 pp.

"Supporting Capacity-Building in the Indonesia Provincial Development Program." IRD Field Report, Development Alternatives, Inc. February 1981, 25 pp.

Bolivia — Local Government Assistance — 511-0082

Project Identification. National Urban Development Service SENDU II. AID, 11 pp.

PAR. September 10, 1972, 10 pp.

Capital Assistance Paper. SENDU. USAID. May 1973, 60 pp.

PES. March 22, 1978, 7 pp.

"Local Government Development in Bolivia: Final Report." Project of Technical Assistance to the Bolivian National Urban Development Services by the Institute of Public Administration. 21 pp.

Brazil Municipal and State Administration 512-0122/513-0302

Sherwood, Frank P. "Second Consulting Report to the Public Administration Office USAID/Brazil." January 1967, 40 pp.

Derfer, Harold. Report of State Administration Specialist, Brazil USAID for Council for International Progress, Inc. 22 pp.

"Report of Frank P. Sherwood, Municipal Administration Specialist." Brazil. April 10, 1967 for USAID, 5 pp.

"Economic Development Planning: Brazil" Office of Controller. USAID/Brazil. November 25, 1969.

Non-Capital Project Paper. "Municipal and State Administration. USAID. January 12, 1970, 7 pp.

Schaeffer, Wendel. "Local Government and Public Administration Programs in N.E. Brazil. September 1970, 53 pp.

"Status of Recommendations Outlined in Wendell G. Schaeffer Report" March 9, 1972, 13 pp.

PAR. 4-72. March 22, 1971, 4 pp.

PAR. 72-8. March 25, 1972, 4 pp.

Project Completion Report. December 31, 1972, 7 pp.

"Regional Centers for Administration and Training." Audit Report, USAID/Brazil. February 23, 1973, 36 pp.

123

Costa Rica — Integral Rural Development — 515-1029

U.S. Aid Mission to Costa Rica: Program Description June 1, 1976, 30 pp.

PES. August 10, 1977, 78 pp.

PES 79-6. January 29, 1979, 13 pp.

Honancha and Nandayure: Report of the Third Year. June 1979.

Guatemala — Public Administration and Municipal Development — 520-0176

Non-Capital Project Paper. July 15, 1970, 14 pp.

PAR 72-3. February 17, 1972, 4 pp.

Non-Capital Project Paper: Revision #1. February 15, 1972, 37 pp.

PAR 74-11. June 14, 1974, 4 pp.

PES, November 28, 1977, 12 pp.

Honduras — Municipal Development Bank I — 522-0109

"Honduras: Municipal Development Bank IRR $4.0-6.0 million." Memo to the files, from John Welty. February 22, 1974, 3 pp.

Welty, John. "Honduras Municipal Development Bank." May 8, 1974, 3 pp.

Audit Report. USAID/Honduras. October 17, 1978, 14 pp.

"Evaluacion del Banco Municipal Autonomo De Honduras (BANMA)" Informe Final, Prepared for Development Associates, Inc. December 29, 1978, 95 pp.

PES. January 1980,16 pp.

Honduras — Municipal Development Bank II — 522-0165

Project Paper, USAID. May 8, 1980. 65 pp.

Sudan — Rural Development Planning — 650-0012

Program Description of Proposal. USAID. February 1, 1980 40 pp.

Due, John F. "Report of Financial Aspects of Decentralization in the Democratic Republic of Sudan. USAID/Khartoum, Sudan. June 30, 1981. 54 pp.

SRDPP First Quarterly Report. February 1982. 16 pp.

Straughan, Alton. "Training Needs Assessment Report." Assignment Under the Sudan Regional Planning Project. Development Alternatives, Inc. June 1982. 11 pp.

SRDPP: Second Quarterly Report. Development Alternatives, Inc. June 30, 1982. 27 pp.

Regional Finance and Planning of Project. July 1982. 53 pp.

Ethiopia — South Gemu Gofa Area Rehabilitation — 663-0210

Streker, Ivo A. "Traditional Life and Prospects For Socio-Economic Development in the Hamar Administrative District of South Gemu Gofa." A Report to Relief and Rehabilitation Commission of the Provisional Military Government of Ethiopia. April 1976. 164 pp.

Project Paper, Pre-Implementation. April 9, 1977. 29 pp.

Liben, Tadi. "A Survey of Identification of Training Needs of Managerial Personnel." December 1977. 67 pp.

Sweet, Charles. Issues Paper. To Jesse L. Snyder, Chief Aid Lands Division. March 7, 1978. 50 pp.

Project Paper. June 5, 1978. 40 pp.

Pre-Implementation Project Paper. January 7, 1979. 22 pp.

Action Memorandum, USAID. To: J.R. Oleson; From: J. Schloffhauer. Subject: Project Authorization. May 9, 1980. 6 pp.

Panama — Rural and Municipal Development — 525-0176

Project Recommendations October 1, 1975. 102 pp.

Evaluation of the Loan. USAID/BNP. December 31, 1976. 39 pp.

PES. March 12, 1980. 29 pp.

Review of the Loan. USAID/Panama. June 30, 1980. 15 pp.

Tanzania — Arusha Planning and Village Development Project — 621-0143

Project Paper I. July 1978. 93 pp.

AP/VDP Project Paper II. August 1978. 98 pp.

AP/VDP Project Paper III. September 1978. 103 pp.

A Formative Evaluation: AP/VDP. Development Alternatives, Inc. April 1980. 93 pp.

Dunford, C., and others. "Information for Rural Land Planning in Arusha Region." Presented to the AP/VDP and the Regional Development Directorate, Arusha. June 1980. 14 pp.

Thomas, Garry L. "Center and Periphery in Arusha Region: Institutional Capacities of Development Initiative in the Context of Existing Government Structures and Village." Development Alternatives, Inc. November 1980. 97 pp.

PES. June 1980. 54 pp.

AP/VDP Evaluation. September 1981. 53 pp.

"AP/VDP Needs Increased Management Attention." Audit Report. USAID. The Inspector General. August 20, 1982.